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NEWS SUMMARY

GENERAL

Double delay after blast

Two people were still "critical" after the bomb blast at the Ideal Home Exhibition, Olympia, London, on Saturday afternoon, in which 85 people were injured.

Seven of the victims were ... and at least eight were children. Twenty-five people are in hospital, and two have lost limbs.

The two West London hospitals dealing with the casualties, St. Stephen's, Fulham, and the Charing Cross, Hammersmith, said a breakdown in their major incident procedures delayed response to the incident by ten to 15 minutes.

About 15,000 people were at Olympia when the bomb exploded without warning. Mr. ... Corney, managing director of Angex, which organises the exhibition, said the order to evacuate the building was delayed for 12 minutes because at first it seemed it was just a ... fuse. It took ten minutes to get the crowd clear.

Body checks

All visitors to the Daily Mail exhibition, which continues until the end of this week, are now to be frisked. Commander Roy Habershon, head of Scotland Yard's Anti-Terrorist Squad, appealed to landlords of London lodging houses who might have suspicions about tenants to contact police immediately.

Police said the bomb, planted in a waste bin, was of similar size and design to those used in recent attacks on the London Underground. The Provisional IRA and the Irish Volunteer Force, a breakaway group, contacted the Press to stake rival claims for the atrocity.

Mr. Robin Corbett, Labour MP for Hemel Hempstead, is to ask the Home Secretary to probe an allegation that a Provisional IRA agent infiltrated Scotland Yard's Special Branch and leaked anti-terrorist plans.

Devolution 'may need referenda'

English Labour MPs may demand referenda in England, Scotland and Wales as their price for co-operating in legislation to create an elected Scottish Assembly. Mr. Eric Heffer, a member of the party's National Executive, warned the Scottish Labour movement. Back Page

U.S. bribes probe

Mr. Elliot Richardson, U.S. Commerce Secretary and former Ambassador to Britain, is to head a Cabinet-level investigation into alleged illegal payments by U.S. corporations overseas. Page 5

£15,000 reward

Securicor has offered £10,000 and Group Four £5,000 for information leading to the conviction of the five masked raiders who ambushed a security van and shot dead a guard on an A2 slip road near Dartford, Kent. Eleven sacks of money were seized in the daylight raid.

Prince at funeral

The Queen will be represented by Prince Philip, Duke of Edinburgh, at the funeral of Field Marshal Lord Montgomery of Alamein at St. George's Chapel, Windsor, on Thursday. A memorial service will be held in St. Paul's Cathedral on Monday, May 3.

Briefly . . .

Britain has formally recognised the new regime in Argentina. Editorial comment, Page 12

Rail fares went up by an average of 12 per cent. yesterday, and British Rail warned that further increases may be needed this year. Page 4

Mr. Peter Hain, the Young Liberal leader, is to stand trial at the Old Bailey to-day, accused of stealing £490 from a bank. He denies the charge.

Mr. John Diefenbaker, former Canadian Prime Minister, 80, will be made a Companion of Honour by the Queen at Windsor later this week.

Premium Bond £50,000 prize goes to Devon holder of No. 1TT 096520.

BUSINESS

Consumer confidence continues to grow

● CONSUMER CONFIDENCE in Britain stands at its highest spring level since the Financial Times survey was started in 1970. The recovery which first emerged at the beginning of the year was sustained in March. Page 9

● GROCERY prices continued to rise in March but at a slower pace than in most recent months. The FT grocery prices index showed a 2.3 per cent. increase, largely as a result of higher prices for fruit and vegetables, particularly potatoes and tomatoes. Page 9

● BANK LOANS to U.K. manufacturing industry fell by £55m. in the past three months to under £7bn., in spite of recent signs of recovery in economic activity. Back Page

● GENERAL MOTORS is planning to distribute Polish-made trucks in Western Europe under a joint venture agreement with the East Europeans. The deal would clearly have some impact on European sales by Bedford, its U.K. subsidiary. Back Page

City investors plan to take North Sea stake

● MAJOR CITY investment institutions may form a syndicate to take a stake in North Sea oil development. A scheme is under discussion under which they would put up around £50m. to buy into an offshore operating group, writes Ray Dafter. Page 4

● THREE of Britain's warship builders claim that the Ministry of Defence, because of design changes, should share responsibility for delays in the completion of vessels for the Royal Navy. Back Page

● WORLD TANKER surplus and the related crisis of shipyard overcapacity are to be discussed at top level meetings in London and Paris this week. Page 4

● LIGHTING Industries Federation has been invited to Ministerial talks as a result of its call for urgent action against the alleged dumping of 30m. East European light bulbs in the U.K. Page 4

● A THOUSAND tons of Ulster beef, nearly 5 per cent. of Britain's weekly consumption, is going to cold stores rather than butchers on the mainland because of changes in the EEC support system for farmers. The move threatens further price increases while supplies are at a seasonal low. Page 4

● TRADE UNION critics of the Government warn that without a change of direction on public expenditure and a major attack on unemployment, union co-operation in another round of pay restraint is unlikely. Page 7

● ITALIAN trade unionists are forecasting "violence in the streets" if the Government blocks threshold payments, as suggested by Sig. Paulo Baffi, Governor of the Bank of Italy. Page 5

● SELBY MINE development by the National Coal Board is expected to receive formal planning permission from the Government this week. Work will begin immediately, but it could be five years before the huge drift mine makes a major contribution to Britain's coal stocks.

COMPANIES

● BRITISH ENKALON has emerged from 1975 "leaner and more efficient," and is poised to take advantage of any upturn in trading conditions, shareholders are told. Page 22

● BALANCE SHEET of Transport Development Group shows "immense strength," says the chairman Mr J. B. Duncan in his annual report. Net cash and deposits at the year-end showed a jump to £7.2m. (£1.3m.). Page 22

● MONTEFIBRE, Italy's largest synthetic fibre and textile group, has announced a 1975 loss of L116.8bn. (£75m.). This represents almost half its turnover. Page 23

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Cambridge group forecasts 1.5m. unemployed by 1980

BY OUR ECONOMICS STAFF

A level of unemployment higher in 1980 than at present, and a lower level of real earnings, are forecast by the Cambridge Economic Policy Group in a review published to-day.

—Even with a continued depreciation of sterling relative to international cost levels, export volume will, in the Group's view, rise by only 9 or 10 per cent. a year. This would be sufficient to support no more than a 3 per cent. growth rate.

Unemployment would then be 1.5m. at the end of the decade, or up to 2m. "with a little bad luck." Adult unemployment now is 1.2m. on a comparable basis.

The group calls for a radical strategy of long-term import controls. Such a strategy would conflict with British accession to the Treaty of Rome, the GATT Articles and other major trading relationships.

Import controls are seen as the one feasible way out of the cumulative cycle of decline. The only alternative is seen as a massive 40 per cent. nominal devaluation, which would hit real earnings much harder, be just as difficult to negotiate internationally and have dangerous inflationary implications.

The Cambridge economists reject any sort of fiscal stimulus as a remedy. They oppose this not only on long-term grounds, but because they believe that the economy is on the verge of a rapid if temporary upturn. Moreover, they do not expect the inflation rate to fall below 13 per cent.

In contrast to Mr. Denis Healey's hints about a modest stimulus in the forthcoming Budget, the Economic Policy Group insists that the public sector deficit measured in 1975 prices needs to fall by £5bn. between 1975 and 1977.

The recent rise in unfilled vacancies and the sharp jump in the money supply, which were published after the Cambridge review went to Press, add force to this recommendation.

Mr. Francis Cripps, an adviser to Mr. Anthony Wedgwood Benn, the Energy Secretary, is a leading figure in the Cambridge group. But the review is not intended as a political document. It has in any case appeared a week too late to help Mr. Benn in the Labour leadership contest, although it will doubtless be used to rally support behind the remaining Left-wing candidate, Mr. Michael Foot.

Electoral fears

The head of the Cambridge group, Mr. Wynne Godley, is non-political. He is director of the Cambridge Department of Applied Economics and was formerly head of economic forecasting in the Treasury, and has been a consultant to that Department at various times in the last couple of years.

Whatever arguments there might be about the detailed arithmetic, the economic relationships used by the Cambridge group are very similar to those of the Treasury and other forecasting bodies. The National Institute of Economic and Social Research recently came out with a remarkably similar medium-term forecast.

There are prominent officials and economic advisers who would not totally reject the main lines of the Cambridge analysis. Some would be sympathetic to an import control strategy, if they were not afraid that the time gained would be frittered away by politicians on electorally attractive increases in consumption or public spending.

The Cambridge economists insist that the "ad hoc and piecemeal intervention of a micro-economic kind" which Mr. Denis Healey has stressed so much "would be too little or no avail" unless accompanied by more fundamental action.

Another conclusion of embarrassment to the Government is that incomes policies cannot permanently depress wage settlements below the level which would result from free collective bargaining. But in contrast to the monetarists, who share this view, the Cambridge economists believe that the remedy lies in their particular

Continued on Back Page

Mixed diagnoses: Samuel Brittan writes, Page 12

Battle for Christian areas as Lebanon truce bid fails

BY OUR FOREIGN STAFF

FIGHTING for control of Lebanon's shrinking Christian enclaves became more fierce last night as talks in Damascus aimed at ending the civil war and pulling the country back from partition broke up in disagreement.

Amid reports that President Suleiman Franjieh of Lebanon had offered to resign immediately a new Head of State is elected, his Syrian counterpart, President Assad, failed to persuade Left-wing and Palestinian leaders to call off their offensive after nine hours of talks.

In the Christian stronghold around the port of Jounieh, north of Beirut, a small armada of hired craft picked up refugees fleeing to Cyprus with a few belongings. In the hills above the capital and in Beirut itself militiamen from both sides of the sectarian divide fought with artillery, mortars and machine guns. Last night, the Left-wingers claimed to have captured the strategically important Hilton Hotel. Beirut airport was jammed with departing Lebanese.

Both Egypt and Jordan have called for immediate intervention by Arab States to halt the fighting. After a meeting of the National Security Committee in Cairo an Egyptian spokesman said Egypt had asked for a "joint Arab symbolic peace-keeping force" to be dispatched to Lebanon. This was interpreted by observers as an effort to forestall unilateral action by Syria, which has consistently rejected such calls.

It was also learnt that King Hussein of Jordan, who visited Damascus over the week-end to discuss the crisis, had suggested to Syria that such a force be mobilised but this was also rejected.

Arafat calls

Last night, a Syrian army spokesman announced that "on instruction of President Assad special units of the Syrian army, including airborne troops brought in by helicopters, and paras supported by the air force, executed a tactical military scheme using live ammunition and sophisticated weapons."

This announcement increased speculations about the possibility of Syrian intervention in Lebanon though unilateral intervention by Syria is still regarded as unlikely.

The meetings in Damascus over the weekend between President Assad and, principally, Mr. Kamal Jumblatt, Druze leader of the Left-wing forces, and Mr. Yassir Arafat, the guerilla leader, are reported to have broken down over Mr. Jumblatt's refusal to call off his forces before Mr Franjieh's resignation. Yesterday afternoon, the Palestinian news agency WAFA announced that Arafat and two other PLO leaders had met President Assad for five hours.

In his talks with Jumblatt Assad suggested, as a way of retaining the confidence of the Christians who remain politically resolute and militarily significant, that Mr. Franjieh should go only after a ceasefire and elections for a new President. The meetings were said to be acrimonious at times and, judging by the subsequent statements, may have seriously undermined Syria's influence with the Moslem Left.

Mr. Jumblatt said yesterday that nothing had been achieved by his Syrian visit and that the leaders in Damascus did not fully understand the situation.

Tory plan for a network of activists in trade unions

BY CHRISTIAN TYLER, LABOUR STAFF

CONSERVATIVE PARTY headquarters is trying to set up a network of activists within trade unions and industries who, with training in the tactics of the Far Left, are being encouraged to win control of union branches and spread Conservative policies.

This counter-attack on the Left-wing militants at grass-roots level is part of a strategy designed to overturn the tradition that good trade unionism and Conservative ideology are irreconcilable.

It is also the reason for the decision by the Conservative Central Office to draw up and circulate lists of "moderate" candidates for trade union elections at district and national level.

That decision was sharply criticised by union leaders as outside interference last week, especially by the biggest Civil Service union, the Civil and Public Services Association.

Yesterday Mr. Clive Jenkins, general secretary of the Association of Scientific, Technical and Managerial Staffs, also one of the Tory targets, said the idea was "basically silly." But he opposed it, he said, because it could mean everyone getting involved in all union elections "including presumably Labour Party headquarters."

At the centre of the campaign is Mr. John Bowis, head of the Conservative trade union department at Central Office and a member of ASTMS.

Explaining the strategy yesterday, Mr. Bowis said: "We are trying to ensure that union leaders at all levels are happy to work with a Conservative Government — or with any Government.

"It isn't outside interference, since we are advising members of our organisation, Conservative Trade Unionists, within the union movement."

Essentially, the campaign consists for the first time of encouraging Conservative voters to join trade unions, and once there to turn up at branch meetings, run for office in the branch, and meet Left-wing activists head-on.

Members of this movement (no membership total is available) are being instructed in the tactics of the Communist Party and the International Socialists, so that they can apply them too.

They are learning how to spread supporters round a room so that the applause for resolutions appears to come from all sides. They are learning the value of intimate acquaintance with union rule books, and how to stretch out a meeting so that opponents become bored and leave before the votes are taken.

Mr Bowis insists that the aim is fundamentally democratic: to ensure by good branch attendance that the officials elected are the ones who "put their members' interests first, before any personal ideological belief."

But the party is not expected to back Communists and other Marxists, however effective they may be in protecting their members' interests. Mr. Bowis said: "It's most unlikely that a Communist member who reaches the national executive of a union will steer clear of party dogma."

About 200 local groups are being formed by the Conservative Trade Unionists. There is one emerging at Heathrow and Gatwick Airports for instance. The CTU chairman is a Dagenham car worker, Mr. Tom Ham, a member of the Electrical and Plumbing Trades Union.

Mr. Bowis, who is operating with the knowledge and approval of Mrs. Thatcher and Mr. James Prior, is shortly to strengthen his team with the appointment of a former full-time union official, who remains unnamed so far.

The party estimates that it has between 3m. and 4m. trade union voters in the country. But now, rather than wooing trade unionists to vote Tory, it is encouraging Tories to go into the unions.

As Mr. Bowis explained it, if a Conservative voter captures a branch chairmanship and runs that branch well, Labour voters may decide that "there is something in Conservative ideas after all."

Leyland strikers decide to-day

By Christian Tyler, Labour Staff

THE 32 British Leyland toolmakers, whose strike is potentially the most damaging of three walk-outs affecting the company, will decide to-day whether to accept Department of Employment advice that payment of promised interim pay rises would breach the incomes policy.

The three strikes have already caused Leyland production losses of £14m. in retail terms.

The 32 toolmakers work at Leyland's SU Carburettor subsidiary in Birmingham, which supplies carburettors for all BL cars and vans. The company said yesterday, however, that stocks were sufficient "for a week at least."

Two other strikes, also involving toolmakers, have halted production of five models at the Triumph car assembly plant in Coventry and output of Range Rovers and Land Rovers at Solihull. In all the disputes the grievances procedure has been exhausted.

Another 600 men at Triumph factories in Speke, Liverpool, are expected to be laid off to-day, further hitting production and bringing the total made idle by disputes to nearly 8,000.

Management-union talks on the Triumph strike, where 350 men are claiming rises of £1.35 a week to restore differentials with production workers, could resume at any time following discussions which were adjourned after nine hours at the week-end.

But no meetings have been arranged on the Rover dispute, where 400 toolmakers at seven plants in the Midlands and one at Cardiff are seeking back pay for premium work they say is due to them under a national toolroom agreement.

The fact that toolmakers are involved in all three disputes is part of a general problem of narrowing differentials.

The company is standing firm against the Triumph and Rover claims. At SU Carburettor, however, the issue is directly linked with the £6 policy and the rule that there must be a gap of 12 months between rises.

Pay rates and rises for SU men have lagged behind those for others elsewhere in Leyland. The company agreed last April to deal with the parity problem in November last year and again this autumn. But, apparently because no specific figures were agreed for November, 1975, payment, the Department has ruled that no interim rise can now be given.

● At Fords Motor's Halewood assembly plant, where there was extensive loss of production last week, work is expected to resume this morning. The trouble arose when 20 solderers demanded pay parity with Dagenham workers.

NECK AND NECK IN SECOND BALLOT

Stage set for Callaghan to succeed

BY PHILIP RAWSTORNE

THE SECOND round of Labour's leadership election, which closes to-morrow, has developed into a close-run contest between Mr. James Callaghan and Mr. Michael Foot.

Mr. Denis Healey's hopes of challenging the Foreign Secretary for the party's centre-right vote faded rapidly at the week-end. The Chancellor's supporters admitted yesterday that he was unlikely to secure more than 40 votes and would be eliminated.

The stage is thus set for Mr. Callaghan to succeed Mr. Harold Wilson as Prime Minister next Monday—but with Mr. Foot established as a powerful figure in the new Cabinet.

Mr. Callaghan's campaigners, who met yesterday to analyse their latest canvass of Labour MPs, agreed that the Foreign Secretary was running neck-and-neck with Mr. Foot in the second ballot.

Their count — corresponding closely with a poll conducted by London Weekend Television's Weekend World and The Sunday Times—gave the front-runners between 135-140 votes each, with Mr. Healey trailing well behind on the 40-vote mark.

"We are taking nothing for granted," said a Callaghan campaign manger. "But it would be incredible if we did not gain the majority of the Healey votes in the play-off."

Buoyant

Some of Mr. Foot's friends are still buoyantly optimistic, and predict that if he could retain a narrow lead to-morrow, he could yet emerge the victor.

They have been heartened by the switch of some pro-Jenkins MPs, such as Mr. Brian Walden, MP for Birmingham Ladywood, to their side, and believe that Mr. Foot's appeal to the Centre-Right of the party has not yet been exhausted.

They believe that the Employment Secretary's determined stand behind the Government's policies to "stamp out the double plague of inflation and unemployment" which he took in a week-end speech at Troon, would attract more support.

A vigorous effort was being made to counter Mr. Callaghan's image as a potential general election winner by reminding MPs that Mr. Foot could stir the party's activists and committed voters whose abstention was blamed for the 1970 defeat.

But some Left-wingers were admitting despondently yesterday that, after all their calculations, Mr. Foot's maximum total would still fall short of the 158 votes needed for victory by 10-20.

The Foreign Secretary's electoral appeal was responsible for the decision of one former Foot supporter, Mr. Bruce George (Walsall S), to switch his vote at the week-end.

Opportunity

Mr. Callaghan is given another opportunity in the Commons to-day to stake his claim to No. 10 Downing Street when he opens the two-day debate on proposals for direct elections to the European Parliament.

The Foreign Secretary seems unlikely to depart from the Government's position—that it is agreed to the principle, but sceptical about the 1978 timetable, and would like the number of seats at Strasbourg related to the populations of member countries.

On that basis, the speech will scarcely ruffle any feelings about the leadership contest.

Editorial comment, Page 12

Concorde talks today

BY MICHAEL DONNE, AEROSPACE CORRESPONDENT

A MAJOR problem over the production of further Concorde aircraft will be discussed in Paris to-day by the responsible British and French Government Ministers.

The Department of Industry over the week-end denied reports that it had decided against authorising further aircraft beyond the 16 already committed.

It is clear nevertheless that the U.K. will adopt a cool approach to expected French proposals for further limited production, aimed at keeping the line ticking over in anticipation of orders beyond those already received from British Airways and Air France.

The British view is that, with several aircraft still to be sold and severe pressures on financial resources in the U.K., additional Concorde production can only be justified as and when new orders are received.

More than a wing and a prayer, Page 21

LOMBARD

Population poses its threat now

BY C. GORDON TETHER

IT IS more than a little odd to find the report of the inter-departmental probe by Government scientists into future world trends solemnly warning us all against the dangers of delay in taking action to restrain the growth of the population when it has taken it four years to come up with the obvious—that this is the most urgent and important of the global problems now confronting us.

It is, after all, no secret that, after thousands of years of so-called economic progress, the world manages to cater adequately for only two-thirds of its people. So it would surely not take a thinking person more than a few minutes to reach the conclusion that there is virtually no hope of it being able to cope with the prospective doubling of the number of mouths to be fed over the next 30 to 40 years—meaning that we are at present heading for a starvation catastrophe of immense proportions.

However, better very late than never. Certainly those much maligned doomsday voices who have been striving to awaken their fellow human beings to the terrifying reality that—in the absence of speedy and appropriately weighty remedial action—famine may stalk all our lands within the lifetime of present generations, will be pleased that the *official oracle has now fully* endorsed their message.

No take-off

It can be taken for granted, however, that this will not be their only reaction. What they will now be demanding to know, the strength of their case having been given chapter and verse verification, is what is going to be done about it.

Nearly two years have slipped by since the World Population Conference came to much the same conclusion as our own inter-departmental survey has *now done and stressed the im*portance of the early implementation of the programme for action it drew up. Yet, as an article in the latest issue of the UN's Development Forum points out, interest in the subject has been allowed to wane—with the inevitable result that there are still no signs of the badly needed global family planning crusade moving up to the take-off stage.

What is required here is the will rather than vast sums of money. For though it is true to say that the affluent world is still behaving so stingily in the matter that most family planning programmes operating in the developing countries do not have anything like the backing they would like, a full-scale global endeavour would not call for *more than a few hundreds of* millions of dollars per annum at this stage.

The big need is for a firm lead. And this happens to be something that the British authorities are now in an excellent position to help provide. For they can do this in the knowledge that they are not going to risk being accused of committing the country to a display of largesse that it is in no position to afford. And, with the inter-departmental evidence to call on, they should be able to enlist the support of public opinion for any modest expenditure that our involvement in *international action to make a* frontal attack on the population problem would entail.

I say this because there is one thing of the greatest significance for the homeside that this new study points up. It is that, however British people feel about the moral arguments for helping poor countries to improve their lot—and nothing could be more effective here than restraining population growth—there is a very strong case on enlightened self-interest grounds.

Thus when the report rings round the crucial importance of getting the population explosion under control before the world's capacity for food production has become seriously over-taxed, it is writing a message on the wall that a nation heavily dependent on imported food simply cannot afford to ignore.

For what this means is that all but the most elderly of those living in Britain to-day stand right in the path of the threatened global starvation disaster.

Little sense

It is generally accepted that there is one thing which did more than anything else to get such essential social reforms as the provision of adequate sewerage facilities for the lower orders underway in the last century. It was the awakening of those occupying the corridors of power to the realisation that there was no other way in which they could protect their own loved ones against the spread of such lethal deseases as typhoid.

One can surely hope that their modern counterparts will soon grasp that it makes little sense for them to devote a lot of effort and money to ensuring a happy life for their children and grand children if they do nothing to provide them with immunity from the new "enemy from without" now shaping up

THE WEEK IN THE COURTS

Healey should block this partners' privilege

BY JUSTINIAN

ONE OF the prime rules of social justice is that a nation's system of taxation shall be fair as between all its citizens. It cannot be fair if a tiny section of the population—inevitably the more affluent members of society—are able to exploit a loophole in the tax law that cannot be emulated by the rest of the nation.

The loophole, which is perfectly legal and generally known among solicitors and accountants, is exploitable only by partnerships. It depends for its success on the interplay of two factors: one concerns the tax law as it applies to partnerships, the other standard accounting practice.

Assume a successful and well-established professional partnership operating in a field of busi*ness where it has many long-term* contracts to fulfil.

Whether or not such contracts provide for "progress payments" of one kind or another, at the end of each of the partnership's accounting periods a great deal of time and money will have been expended on contracts that are incomplete.

Some contracts may be so complex and lengthy that the final bill to the customer will not be delivered for many years.

It is obviously wrong in principle that the actual earnings for the instant year should be diminished not only by what the work billed has cost, but also by what work has cost so far that remains unbilled until the next year.

Thus the standard practice of accountants is to make a reasonable estimate of what such "work in progress" has so far cost. Such estimate is then deducted from the total costs of the year and carried forward as a debit against *future* actual earnings. The point is made clearer if reduced to actual figures.

Assume a steady flow of long-term contracts and a gratifying profit margin of 40 per cent. on bills delivered. A thumb-nail sketch of profits for the year ended April 30, 1975, would be as follows (in £ thousands):

Bills delivered			1,200
Expenditure:			
Overheads	80		
Direct cost spent in the period	720		
add cost of work-in-progress brought forward from last year	600		
	1,400		
less cost of work-in-progress carried forward to next year	600		
		800	
Profit for year		400	

[Since for the sake of simplicity there is an assumption of a steady flow of work, this will be substantially the state of the accounts for the years 1974 and 1976.]

The acute reader will spot the seeds of the tax bonanza that the partnership is about to reap. The secret lies in the amount of the deduction for closing work-in-progress, that is, the estimate of the element *of direct* cost already spent on work current at the end of April. It is not an estimate of the *value* of such work.

Suppose every client were compelled to withdraw his instructions on April 30 and to ask for a bill for the work done to date. Clearly the individual *partner is worthy of his hire* and entitled to charge for his skill, and not merely for paper, postage, clerking and other disbursements.

The value to the on-going partnership of such work, at each year's end, will approximate to the aggregate of such hypothetical bills. Reckon it is £1m.

In a very real sense the partners have, in fact, already earned their share (£400,000) of that aggregate, although neither commercial accounting procedure nor tax law requires them to bring it into their accounts as profits of the year just ended.

Earnings

How does the law governing a new professional or trade partnership provide the vital link in the loophole?

Whatever profits the partnership makes in its first year will be taken as the figure for computation of the partners' tax liability for the first three years of the partnership's life.

This is because tax under the relevant Cases of Schedule D, in respect of a year of assessment ending on April 5, is normally measured by the profits earned during the accounting period of 12 months that ended during the preceding year ending April 5.

Until there is such a period, the actual earnings for the very first period have to be used for computing tax liability. Thus if the partnership started on May 1 1975, for the year of assessment ended April 5, 1976, 11/12ths of the first 12 months is taken; for the year of assessment ended April 5, 1977, and April 5, 1978, again the first 12 months of trading profits are taken.

How very convenient it would be if the partnership could start up afresh every so often and contrive to earn very little *indeed in its first fresh 12* months of practice!

Since by English law a partnership, unlike a company, is not a legal person distinct from its partners, that is precisely what the partners can and do achieve. The result of discovering the art of this disappearing trick is to ensure that every so often a partner retires, or a new partner is taken on.

The old partnership legally comes to an end, and a new one rises from the ashes of the old. Although both old and new partners can, if they wish, join in electing to be treated as if the business were a continuing one, they need not. Translate this quirkish bit of English partnership law into the actual tax situation.

A firm of solicitors have 25 partners, in which the senior partner is retiring. The 25 old partners agree with the new 24 partners that the former's work-in-progress shall not be transferred to the latter. Instead the former retain it.

The new partnership will merely complete what is left of the contracted work and submit a composite bill to the client, collecting the old partnership's share of that bill on their behalf and in due course account to them for their individual shares.

The effect of all this change-around on the first year's profits of the new partnership can be expressed as gratifyingly catastrophic. Assuming the same *aggregated bills of £1.2m.*; £1m. goes to the old partnership. The bills delivered to customers relevant to the new partnership is therefore only £200,000. The overheads and direct cost remain at £80,000 and £720,000 respectively.

Since there is no cost of work-in-progress brought forward from the last year the total expenditure is £800,000. One then deducts from that figure £600,000 representing the cost of work-in progress carried forward to next year.

That leaves £200,000 expenditure to be deducted from the £200,000 bills delivered to clients. Hence, *for the crucial first year,* the profit is nil.

The upshot is that the year-by-year pattern of the partnership's assessable profits, looking at it non-legally as if it were a continuing business, will be "nil, nil, nil" and then, say, "£400,000, £400,000 . . ." until someone comes along as new partner and the game starts all over again.

Limited companies have been taxed on a current year basis since 1965. Why not partnerships? While the Chancellor is ruminating over his Budget, he might devote a little time to producing a clause in his Finance *Bill to trump this tax avoider's* ace.

SOCCER — BY TREVOR BAILEY

Queen's Park Rangers show signs of strain at the top

QUEEN'S PARK RANGERS retain their one-point lead at the top of the First Division after a vital, if not impressive 1—0 *victory over disappointing* Manchester City at Loftus Road.

In a one-sided first half, Rangers with a little luck or better finishing could easily have established a lead of two or three goals, but after the interval they lost much of their composure and rhythm.

That strong, brave and uncomplicated defender, Webb, came yet again to their rescue to head home a chipped free-kick in the closing stages after Manchester City had been reduced to 10 men.

The game began well, with both teams producing some attractive, positive football, although Rangers were clearly the more dangerous.

City soon had to replace their powerful centre-forward and target man Royle, who was injured, with Clements, normally a defender. With only rare moves from the tenative Barnes, unless the ever-threatening Tueart could prise an opening they seemed unlikely to score that goal the game really needed.

Thomas regularly floated past the right-back and a whole series of pleasing moves caused many problems for the Manchester defence in which Doyle was outstanding. Only the agility of Corrigan prevented Queen's Park from gaining a lead before half-time.

Rangers' frustration at being unable to score, combined with the strong pressure on City, began to affect the players of both sides in the second half. Fouls became more frequent and fierce, but the referee failed to sense the danger signs which eventually boiled up into a sordid free-for-all and led to the sending-off of Hartford, who completely lost his "cool."

He had to go, especially as he ought to have been booked earlier and was one of the main contributors. But at least two Rangers' players and one of Hartford's colleagues, who had charged enthusiastically into the fracas were lucky to escape similar punishment.

After the match the two managers, suitably blinkered were prepared to blame everybody but their own players for this regrettable incident. This is rather disturbing considering both teams will be in Europe next season, where Britain's reputation for sportsmanship on and off the field is not the highest.

Will Queen's Park take the title? Although I do not rate them as highly as any of their three rivals, Derby County, Manchester United and Liverpool, they possess one enormous advantage. They are able to concentrate exclusively on the League, whereas the other trio have the additional strain of Cup dreams and commitments, plus extra matches. These could easily prove to be the deciding factor.

Perhaps the biggest threat to the Rangers could be the injury to McLintock, who limped off in the last few minutes. They can ill afford to lose his poise, class and experience at this crucial stage of the competition. On Saturday they were beginning to show signs of the strain.

More Soccer stars head for U.S.

BOBBY MOORE, of Fulham, England's former World Cup Soccer captain, flew from London's Heathrow Airport for New York yesterday, hoping to sign contracts with the New York Cosmos. With him was Bob McNab, of Wolves, the former Arsenal and international player who would make no comment on why he was travelling to America.

The two players will make a guest appearance on Wednesday evening in Texas, playing for San Antonio against New York Cosmos.

Star player in the Cosmos team is Pele, and Moore said he was looking forward to meeting his old World Cup rival again.

RUGBY UNION — BY PETER ROBBINS

Hat-trick for Gloucestershire

GLOUCESTERSHIRE BLUDGEONED their way to their third consecutive County Championship, beating Middlesex 24—9 in a game that was even drearier than the semi-final.

Butler scored all the winners' points with *six penalties and a* conversion of his own late try. When we take into account that he also missed four penalties, it is evident that the game was played in a very staccato fashion and was exceedingly sterile.

The Gloucestershire pack was technically better, physically stronger and more cohesive but all these terms are relative to the next stratum of Rugby, which is in the international scene.

Nelmes should quickly return to this scene after a splendid display. He, with Pullin and Burton, formed the initial assault party in the tight and mauls. Burton was rather slow to the mauls but effective when he got there.

However, it was the back row of Rollitt, Rafter and Watkins that really destroyed Middlesex—first by their astute covering in the settling-in period, next their harassment of Young, and finally by the way they set up some marvellous rucks for the backs.

Rollitt was always going forward intelligently and belligerently and in defence cut down Ripley effectively. Watkins was always where he was needed and without these two fine players Gloucestershire would have had no point at all to their game.

Kingston had a sedentary but productive afternoon compared with Lawson behind the harried Middlesex pack. Kingston let C. G. Williams have a stream of ball but the new England fly-half chose to run back inside a great deal. In retrospect with such ineptitude and clumsiness alongside him his judgment was perhaps not all that misguided.

Confidence

Bayliss once ignored two clear overlapping colleagues. C. J. Williams kicked ahead and dead 30 yards from the Middlesex line. C. G. Williams seems to have grown in confidence even in a week, whereas Butler still gives cause for fright when the ball is in the air.

Middlesex were in the game for only the first half when they had slope and hope. They won enough early line-out possession through Ralston and Ripley but it was for the most part very unusual and Lawson found himself under pressure all the time.

He coped with this admirably until the Gloucestershire forward avalanche really got under way mid-way through the second half. Then not even he could bring order to a retreating team. Middlesex lost Mordell on the break bringing on the ... Bowring.

The tragedy for Middlesex was that when they were getting equality of possession and had a 6—0 lead they still could not get the ball quickly enough to the dangerous wings Rees and Lambert.

This was because Lawson was forced to hoist the ball high, more obviously because the pack was in difficulties at the ... and then Young could not get the ball away quickly ... Both the centres, Friell and Birkett, made good breaks, one with Birkett's almost leading to a try but Ripley knocked on Rees's inside pass.

Middlesex were never to have the same freedom of movement in the second half when finally they were forced to stand still and pass crossfield to create any space at all.

Butler kicked three penalties in the first half to Whibley's try and Birkett's dropped goal. Butler added three more before his final flourish.

TENNIS — BY JOHN BARRETT

Ashe dominates Dallas run-in

ONLY FOUR weeks remain of the World Championship of Tennis circuit before the doubles finals in Kansas City from April 28 to May 2 and the singles play-offs in Dallas the following week.

Arthur Ashe, who achieved the unlikely WCT and Wimbledon double last year, will again be among the eight Dallas finalists this time. An astonishingly successful start to the year has won *him five of the six tournaments* in which he had competed, to head the points table with 670 points. It will, however, be augmented when his Lagos semi-final against Jeff Borowiak—postponed during the political troubles in February—is completed in Caracas next month.

With two wins in the Avis Cup round robin matches, a new feature of the WCT programme this year, Ashe has now won 23 matches and prize money of $133,413 since January. He has lost only once to fellow American Tom Gorman in the U.S professional indoor championships in Philadelphia in the third tourna*ment of the year.*

Undoubtedly the reduced weekly tournaments from three groups of 32 men last year to two groups of 16 is an advantage, but Ashe has clearly moved on to a higher plain.

The manner of his 6—4 7—6 6—3 win of Bjorn Borg of Sweden in Hawaii last week in his second Avis match suggests that his nearest rivals know that he seems certain of himself—that he is better than they are.

This sort of psychological dominance which was achieved by Roy Emerson as an amateur in the mid-1960s, by Rod Laver in the early years of open tennis and, during the same period, by *Ken Rosewall over everyone* except Laver, seemed to be a thing of the past, and we all thought that the crowded and intensely competitive life of the modern professional made it impossible nowadays for any one man to dominate the field. So far this year Ashe appears to have achieved the impossible, and I shall be fascinated to watch this aspect of the remainder of the WCT season.

Apart from Ashe only two players have won more than one tournament. Florida's Eddie Dibbs has won two in six and Guillermo Vilas (Argentina) two from three. Seven other players *have won once each, to produce* the sort of pattern that we had come to expect as normal before Ashe set us wondering.

The race for Dallas places will be close, and will depend upon the outcome of the eight tournaments that the two groups will play over the next four weeks. At the moment the eight men behind Ashe are Dibbs, 525 points, Raul Ramirez (Mexico), 495, Cliff Drysdale (South Africa), 480, Vijay Amritraj (India), 440, Bob Lutz (U.S.), 435, Tom Okker (Holland), 415, Brian Gottfried (U.S.), 385, and Stan Smith (U.S.), 385. Below these there are another 10 players including Borg, Harold Solomon, Mark Cox and Vilas, who range between 380 and 300 points.

SNOW REPORTS

	Depth (cms.) L	Depth (cms.) U	State of Piste	Weather	°C
Andermatt	20	165	Good	Fine	5
Flaine	40	140	Good	Fine	[illegible]
Les Menuires	80	165	Fair	Snow	—
Tignes	40	90	Fair	Fine	3
Verbier	5	63	Fair	Fine	12

Above reports supplied by representatives of the Ski Club of Great Britain.

SCOTLAND

Cairngorms: Most main runs complete. Lower slopes—some runs complete, others broken. Wet snow on firm base. Vertical runs 1,400 feet. Access roads clear. Snow level 2,000 feet.

Glenshee: Most main runs complete. Lower slopes—ample nursery areas. Wet snow on hard base. Vertical runs 1,900 feet. Acces roads clear. Snow level 2,000 feet.

Glencoe: All main runs complete. Lower slopes—most runs complete. Wet snow. Vertical runs 1,300 feet. Access roads clear. Snow level 2,300 feet.

Outlook: Cloudy, outbreaks of rain.

RACING — BY DOMINIC WIGAN

Singlet is a sporting nap

The lightly-weighted Upper Lambourn representative *Singlet*, who is fit from hurdling, appeals as a sporting nap in to-day's Welford Handicap at Leicester.

This Nick Vigors-trained Quartette colt put up several useful performances last season and gained a well deserved first success when comfortably beating Fair Camilla in a claiming rate at Brighton over to-day's 1½ mile trip.

He ran disappointingly towards the end of the campaign, finishing out of the frame on his final three appearances, but has since put up several promising performances over hurdles and it appears that he may now be back to something approaching his best.

With only 7st 7lb in the saddle, Singlet is set to receive 17lb from Ben Hanbury's course and distance winner Long Love, and this is likely to give him the edge over the Newmarket colt, who will probably need an outing or two before returning to his smart form of last summer.

LEICESTER

2.15—Fast Mover
2.45—Gold Bar
3.15—Major Green
3.45—Singlet***
4.15—Virginia Wolf
4.45—Aboma**
5.15—Bluehill*

HEXHAM

2.30—Cumbria
3.00—Lord Brae
4.30—Raise Your Hat

John Winter who by his own high standards had a poor season last year looks set for a double through the four-year-old *Major Green* and the year younger *Aboma*. Aboma, who goes for the Loddington Stakes appeals as a sound bet.

Looking ahead to the Grand National on Saturday, two leading fancies, Colebridge and Ernie Wiltshire, may both be scratched. Jim Dreaper said yesterday: "Colebridge has not been himself since Cheltenham, where he had an upsetting time through train delays, and there must be a doubt about him now running at Aintree."

Ernie Wiltshire was lame on his return to Fred Winter's Uplands stable after completing a hat-trick at Worcester last week and it will be surprising if he is risked.

Latest betting on the National: 8-1 Red Rum; 10-1 Jolly's Clump and Barona; 11-1 Money Market; 20-1 Prolan and Rag Trade; 25-1 Tregarron.

Peterhof remains a clear favourite at 8-1 for the Littlewoods Spring Cup on Thursday. Golden Aim, who ran a fine race from a bad draw in Saturday's Lincoln, is top quoted at 12-1.

TV/Radio

† Indicate programme in black and white

BBC 1

7.05-7.55 a.m. Open University (UHF only). 12.45 p.m. News. 1.00 Pebble Mill. 1.45 Mr Benn. 3.20 Under Bow Bells. 3.58 Regional News (except London) 4.00 Play School. 4.25 Roobarb. 4.30 Jackanory. 4.45 Blue Peter. 5.10 John Craven's Newsround. 5.20 Bewitched.

5.45 News.
6.00 Nationwide.
7.00 Ask The Family.
7.25 Z Cars.
8.10 Panorama.
9.00 News.
9.25 The Monday Film: "The Birds," starring Rod Taylor, Suzanne Pleshette and "Tippi" Hedren.
11.20 To-night.
11.55 Weather/Regional News.

All Regions as BBC-1 except at the following times:—

Wales—1.45-2.00 p.m. Pili Pala. 6.00-7.00 Wales To-day. 7.00-7.25 Heddiw. 11.55 News and Weather for Wales.

Scotland—6.00-7.00 p.m. Reporting Scotland. 11.20-11.55 Public Account. 11.55 News Summary and Weather for Scotland.

Northern Ireland—3.58-4.00 p.m. Northern Ireland News. 6.00-7.00 Scene Around Six. 11.55 News Headlines and Weather for Northern Ireland.

England—6.00-7.00 p.m. Look North (from Leeds, Manchester, Newcastle). Midlands To-day (from Birmingham); Look East (from Norwich); Points West (from Bristol); South To-day (from Southampton); Spotlight South-West (from Plymouth).

BBC 2

6.40-7.55 a.m. Open University.
11.00 Play School
5.25 p.m. Open University.
7.29 Weather.
7.30 Newsday.
8.10 The Waltons.
9.00 Our Mutual Friend.
9.50 Horizon: Schizophrenia.
10.35 The Camera and the Song.
11.05 Newsnight.
11.20-11.25 Closedown: Stephen Thorne reads "Rather like a Peacock" by Elizabeth Jennings.

LONDON

9.55 a.m. The 21st Century. 10.20 Kimba. †10.45 The Saint. 11.35 Untamed World. 12.00 Simon in the Land of Chalk Drawings. 12.10 p.m. Hickory House. 12.20 Drive-in. 1.00 First Report: News, FT index. 1.20 Lunch-time To-day. 1.30 Emmerdale Farm. 2.00 Good Afternoon. 2.30 Monday Matinee: "Savage." 3.55 General Hospital. 4.25 Clapperboard. 4.50 Kids from 47A. 5.20 Batman.

5.50 News from ITN.
6.00 To-day.
6.45 The David Nixon Show.
7.20 Coronation Street.
8.00 Rising Damp.
8.30 World in Action.
9.00 Manhunter.
10.00 News.
10.30 Nurse of the Year.
11.10 Marcus Welby, MD.
12.10 a.m. In God's Name.

All ITV Regions as London except at the following times:—

ANGLIA

ATV MIDLANDS

BORDER

CHANNEL

GRAMPIAN

GRANADA

HTV

SCOTTISH

SOUTHERN

TYNE TEES

ULSTER

WESTWARD

YORKSHIRE

RADIO 1

RADIO 2

RADIO 3

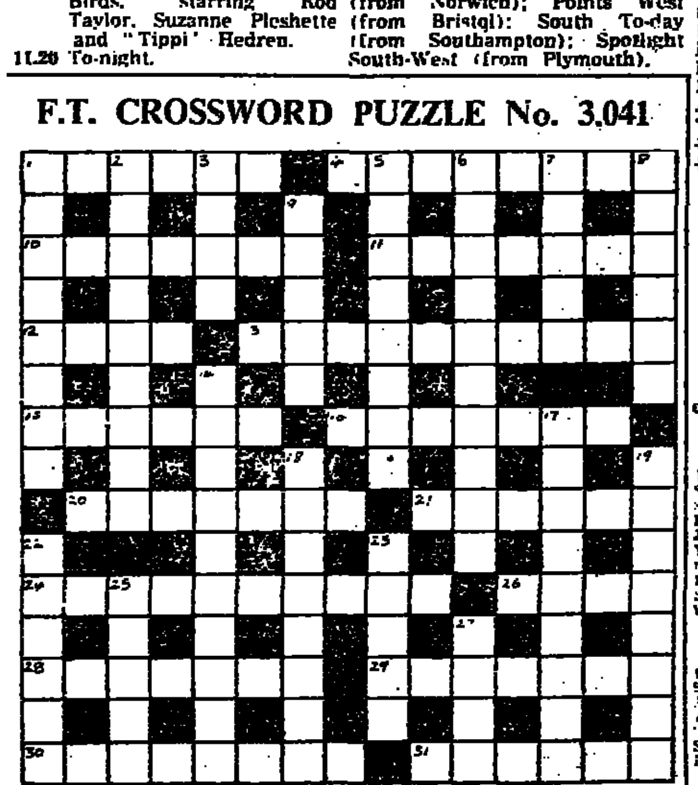
RADIO 4

BBC Radio London

London Broadcasting

Capital Radio

F.T. CROSSWORD PUZZLE No. 3,041



ACROSS

1 Current in the only comfort (6)
4 Hostilities get doctor to order a stock of clothes (8)
10 Put your cross in the river and be a fan (7)
11 A place of entertainment is *changed thereat* (7)
12 Expression kept at the university (4)
13 There is no satisfaction in a record on canvas (10)
15 Wait for mother to be in control (6)
16 May be win—but not the girl (4, 3)
20 Quite an old arrangement (7)
21 Cold, but polished on the courts (6)
24 Not followed by the extremists (6, 4)
26 Stingy—it is not right (4)
28 Told Russian about the deceased (7)
29 "Less than the dust beneath thy —— wheel" (Laurence Hope) (7)
30 The class of school is the criterion (8)
31 Hang over? It's the devil to stop (6)

DOWN

1 Is disconsolate over southern politician—it is a harrowing tale (3, 5)
2 Company member out of sorts (9)
3 Reductions prior to the deal (4)
5 Items that may be leading (8)
6 Characteristic of parasite and crime (4, 3, 3)
7 Eccentric deviation from route (5)
8 Proverbially given to adumbration, when they are coming (6)
9 Jacob's son gets to the point like lightning (5)
14 Stimulated the bird upset over her broken date (10)
17 Stroll with a team in the Lake District (9)
18 A scout is not at home with the corollary (8)
19 Puts up with Heath in Essex (8)
22 Feels pain for dandies (6)
23 Breeders of the imagination (5)
25 A letter from the Nile (5)
27 Get the learner in the river to keep cool (4)

The solution of last Saturday's prize puzzle will be published with names of winners next Saturday.

كاملة من الأصل

Brewster Mason Cormac McCarthy

ych

he Merry Wives of Windsor

by MICHAEL COVENEY

ray of an inconsequential o the Prince Hal history re-staged so successfully in the year, Terry Hands's tion of one of peare's sillier plays serves ough. We see Falstaff not ch in love as on the e among the good folk of r; and as the two merry who wave the flirtations ore the more conciliatory der Herne's Oak, Brenda (as Mistress Page) and a Leigh-Hunt (as Mistress repeat their jocund per- ces of last year's Strat- ason.

e are happy patches of in the production: the German horse-thieves are dealt with as Falstaff's ers in disguise; the team is suddenly recruited by peare to "trib" through rk flash across the action yelling playground chants and wielding conkers; Falstaff's page has fattened out to obese proportions, becoming both the butt of the other boys' high spirits and the knight's one dependable friend—at the end, as the lovers and re-united married couples retreat from the forest. Brewster *Mason crowns a performance of* mellow joviality by sauntering off with his teenage replica, no doubt informing him of the taunts and jibes that must attend a gross old age.

Richard Moore has replaced Ian Richardson as the jealous Ford and works very *hard* indeed. He makes thorough sense of every line he has to speak, and has one marvellous moment, in the process of declaring himself to be "horn-mad," when it looks as though he has been struck from head to toe with the most apalling attack of pins and needles while standing in a furnace. Other broad interludes well managed: Mr. Mason's first dive into the laundry basket resulting in a backward disaster through 180 degrees; and the same actor's plea to heaven to defend him from "that Welsh fairy."

The latter laugh is not so cheaply won as you might expect, for the boys scurrying through the play are continually harassed by Sir Hugh Evans, played with superb control and relish by Trevor Peacock. The parson is also, on this occasion, schoolmaster, and *there is a* sublime Latin lesson conducted under the guise of another scene. I still yearn to see the last Act of this play performed with a real sense of magic and festivity. But in the meantime I'll settle for Mr. Hands's bouncy, unsubtle approach.

2

Moscow's Romeo and Juliet

by CLEMENT CRISP

Bolshoy Ballet's bicenten- German enterprise, BBC echnical skill, all combined night's showing of Leonid sky's *Romeo and Juliet* on The programme was a ample of how to televise and every praise to direc- n Vernon and his techni- ew for an honest, un- ky and persuasive version ballet. All the common of filmed and televised are avoided: there were intless close-ups, and Mr. n gave a sense of perspec- to the movement with graphic patterns respected. lour, at the Press showing ided, was superb; the last in the Capulet vault a of wonderfully imaginative s the torches glimmer and cession of mourners winds the vastness of the stage. usic, as always when the y orchestra plays for its s, was a glorious partici- the action. All in all, ph for television. But for the ballet itself.

memory lie? Was *Romeo* iet as long and ponderous as this when the Bolshoy first came to London in 1956? Was the acting as unbridled—the scenery not just chewed, but mercilessly ravaged by Lord and Lady Capulet, and by the Nurse who behaves more like Old Mother Riley than seems necessary? Was the choreography of so little interest—just astutely managed crowds and an interminable sequence of jumps? Something has gone wrong, and I feel that it would take more than *Ulanova's miraculous Juliet to* right it. Of course in 1956 our eyes were innocent. There was the Bolshoy for the first time, and the incomparable Ulanova, and a dance style of unaccustomed richness and bravura. Now we know the Bolshoy better, and we know *Romeo* in versions more dramatic and more ingeniously choreographed.

I yield to no-one in my admiration for Mikhail Lavrovsky as a dancer, but his television Romeo is only fitful in passion. Natalya Bessmertnova can be most moving in certain roles, yet her Juliet is trapped in the staid patterns of the choreography, which Ulanova's was not. For the company it seems that a style of performing, of using Lavrovsky's creation as a basis for feeling rather than an excuse for it, is lost. The rodomontade in the acting looks a travesty of what Olenina, Ilyushenko and Radunsky showed us 20 years ago, and the bounding magnificence that was Farmanyants as the Jester has turned to frantic capering.

Of course, the Bolshoy style is geared to projecting from a large stage into a large auditorium (Mr. Vernon furnished fascinating shots of theatre and audience); the small screen and the inevitable intimacy of television here preserves physical attitudes while missing the *emotional artistic reason behind* them. Gesture meant to move the spectators at the back of an opera house will look more than over-wrought when trapped in the confines of a television set. This may explain some of the dismay I felt in watching *Romeo*; it does not excuse, though the longueurs of the performance. And the fault, I suspect, is the Bolshoy's and not television's.

American music

t Carter, Aaron Copland orge Crumb provided the ame for Saturday night's *Festival concert*, an all- an grand finale to the ne Group week of British- n Music. One might have empted to think of the ers as the great Cs of orary music in the it that would have been look, as this series over- the no less important John Cage. Nor, to move ther extreme in American to-day, did this six-day find room for anything of Babbitt. Instead the is was on the safe middle epitomised by the con- on of Copland's works, the effectively bizarre but limited music of Crumb. not every opportunity There was some Ives, not enough, and Satur- rogramme opened with remely witty and intelli- nata for flute, oboe, cello arpsichord by Carter, y played by members of *the London Sonfonietta*. This is a work which appears at first glance to be a typical piece of bright American neo-classicism in the Nadia Boulanger manner; but it is a great deal more than that. There is elegance in the music, to be sure, though not the polish of masquerade, for *the surface appeal is an invitation* to enter the work's depths of assertive emotion and its elusive tide of thought. It is a piece both exhilarating and alarming, at least when played as strongly yet neatly as it was on this occasion.

Nothing else in the evening had anything like this degree of potency. A group of songs by Copland, three of his Emily Dickinson settings and four arrangements of old American numbers, were poorly done by Mary Thomas. Her voice never had the coolness needed for Dickinson's pure visions, but here she could not even get around Copland's sometimes awkward lines without faults in pitching, slurs and ugly changes of colour. It was a saddening contribution from a formidable artist. *In the humorous folk-songs*, however, she managed to distract attention from her vocal weaknesses through dramatic verve and a cheeky American accent.

It would be unfair to blame Miss Thomas again for the weak impression made by Crumb's *Ancient Voices of Children*, or to disparage the other performers, the London Sinfonietta under Elgar Howarth and the treble Andrew Harding. The fault, I fear, lies not in our stars but in the work itself. *Ancient Voices* is a piece which depends wholly on the evocative references of its materials, and once one has grasped that the bell sounds, gestures towards Mahler, wild soprano calls and the rest are generally symbols for death and grief, one's experience of the work is complete. A few years ago it seemed a vivid expression of searing Mediterranean lament. Now it is empty.

PAUL GRIFFITHS

d House

Muldowney, Goehr, Rubbra

illed by the 11th-hour ition of Vernon Handley, t's Camden Festival con- s saved with admirable d courage by the Swiss r Michel Tabachnik, the New Philharmonia a in two of the works e living British com- *Perspectives* by Dominic ey, the youngest of the as directed by the com- mself.

ther instalment in Mul- s' *Music at Chartres* other parts of which already reached London *n the season, this was* a coloured, deftly and scored composition pre- easily graspable if some- insubstantial materials melodies crossing Roy ke bounciness with *raga* of phrase: Stravinskyan ed" harmonies; a crystalline murmur of chinking and clinking percussion) *in clean-cut* juxtapositions. The trouble, at a first hearing, was an apparent lack of continuity, the possible consequence of a somewhat nervous, jerky performance.

Much more meaty was Alexander Goehr's Piano Concerto *(1972)*, played on a disgracefully tinny Steinway with, nevertheless, utmost eloquence and beauty of tone by Daniel Adni. The first movement is elusive, rich in ideas of a characteristically cool fertility but obscure in working, imaginative in its dry, taut use of a classically-modelled orchestra yet never quite striking. The second movement, inserting scherzo-ish episodes into a slow, rhapsodic meditation, is another story—full of stealthy, shadowy lyricism that seizes the attention at every unexpected, keenly considered turn of phrase.

Mr. Tabachnik's piloting of *soloist and orchestra through a* by-no-means easy score deserves the highest praise—may be and Mr. Adni be invited by the orchestra to explore it again soon. A former Boulez assistant, he can hardly have conducted *the music of Edmund* Rubbra very often. The Second Symphony (1937), a homelier, squarer, very English kind of Shostakovich (like the Russian's Fifth, one would say, except that the two are too closely contemporary for the likely traffic of influences either *way)*, was driven with unidiomatic edginess, far too angularly for the ruminative melodies to spread and grow. An improbable performance, indeed; but never unimpressive in control.

MAX LOPPERT

Camden Festival

Telemann

by NICHOLAS KENYON

By 1762 Handel was dead, J. S. Bach was almost forgotten, and Haydn had about 20 symphonies behind him: the musical baroque was a thing of the past. Yet in Hamburg, enjoying a long *Indian summer as successful* and honoured old man, Telemann was (in spite of failing sight) still composing Passions and oratorios for the town where he had held a virtual monopoly of musical events for 46 years.

Der Tag des Gerichts (The *Day of Judgement*) which the Highgate Choral Society under Brian Wright gave for the first time in this country on Saturday night (though a Harnoncourt recording of the work is still in the catalogue) is not just a late Baroque cantata. It wasn't designed for a church (particularly one as sober as St. Michael's Highgate), but for the opening of a new Hamburg concert hall, and it is not so much a cantata-oratorio as an entertainment-oratorio. The libretto, an extraordinary *Sturm und Drang*-vision of Judgement Day by a follower of Klopstock, was fully up-to-date in 1762, and Telemann responded with music which must have charmed and delighted the Hamburg bourgeoisie.

This lively and excellent performance made out as good a case for the work as is possible. The cynical unbelief and mockery of the first part (sounding like Pergolesi *opera buffa* and Stamitz symphonies) and the devastation and turmoil of the second part (C. P. E. Bach-like music here) were nicely characterised by Christopher Keyte, Alan Byers, and the very well-drilled chorus. But it hardly put one on the side of the *angels, as the sanctimodious* visions of Faith and Religion (Eiddwen Harrhy in bright but slightly brash voice) and the warnings of Reason (a very operatic Anne Collins) were far less attractive.

With the appearance of Christ himself in the third part, and the central chorale of the believers (deprived of its effect here by being treated quietly, without instruments), all force goes out of the music: even Mr. Keyte could not make Jesus's denunciation of the godless anything but a display of mild *pique. The fourth part is then* merely a succession of pleasant meditations by the Blessed—an excuse for some outstanding singing by the soloists—and some noisy and triumphant choruses for all (including a good soprano echo in the choir). Brian Wright made the whole *remarkably effective, controlling* tempi well, and keeping the *tension alive. His orchestra was* neat but over-mellifluous in even the most tempestuous moments: *one longed for the reedy sound* of more authentic instruments.

Not, then, a profoundly religious work which would encourage instant Lenten repentance, but rather a good evening's entertainment. It certainly deserves a BBC recording by these forces.

Elizabeth Hall

Myung-Whun Chung

by DOMINIC GILL

Like Mitsuko Uchida, whom I reviewed on this page last week, the young Korean pianist Myung-Whun Chung gave much less than his best during the two final rounds of the Leeds Piano Competition last year. At her London recital, Miss Uchida revealed herself in quite different colours as a pianist of already quite exceptional stature: Mr. Chung too, yesterday afternoon, showed us that he is capable of fine things in *the concert hall—even if as an* artist, he is as yet less fully-rounded, fully-formed.

He is a prodigiously well-schooled pianist. Nothing in his programme—from the large-scale rigours of Beethoven's Waldstein sonata to the more delicate but no less exacting demands of Debussy's *L'Isle joyeuse*—seemed to tax his fingers unduly. The sound was never less than bright, clean and clear: in the *adagio* of the Waldstein, and in the slow movement of Haydn's little G major sonata no. 6, the balance of pianissimo tone-colour was *ravishing. Only at the biggest* moments did the playing lack a certain physical weight, and therefore physical excitement; it was otherwise a constant model of neatness, clarity and precise design.

Perhaps even too well-*schooled. Superbly proficient as* they were, each one of his performances had more the air of a beautifully learned lesson than any kind of personal vision or testament. I found no sense of risk, or combat, or engagement in the playing—in Chopin's first or third Ballads an almost overwhelming sense of neat fingerwork, but little of grandeur or poignant sentiment. A pair each of Preludes and Etudes by Debussy were immaculately presented, perfectly *soignées*, every hairline and nuance perfectly in place—but sensuously blunt-edged, drawn without electric thrust, buoyancy or sparkle. Strange recital: on one level so fine, but on another, more important still, so anonymous.

Radio 3

Listening

Edward Albee's first radio play, *Listening* which was broadcast last night comes in a co-production between Earplay—an effort to resuscitate radio drama in the U.S.—and the BBC. As its title implies there is a world of difference between merely hearing what someone is saying and giving them your fully committed attention. This latter mode of *comprehension among three* people all suffering in different ways from a deep sense of inadequacy is what the play explores.

We are in a disused formal garden of some once grand Italian palazzo transplanted to American soil. Three oddly assorted people whose names we never learn sit by the empty pool of the rococo fountain and *talk. The desiccation of the* setting pervades their souls.

As their talk progresses, if *that is not too naive a term for* the barbed remarks, taunts, threats and probing questions *that fly between them, we gather* that the palazzo is now in use as a mental hospital; and it appears that in their outward roles the trio are a male cook, a woman doctor (both in their 50s), and a psychotic girl patient in her 20s. A fourth voice (here *that of the author, who co-directs* the play with John Tydeman) belongs to a detached observer, who divides the action into phases by calling out numbers from one to 20, rather like a painter who leaves the grid of perspective over his picture for the spectator to see.

The *language is formal and* fragmented like the architecture; it creates a mood of intense awareness unbaring the hidden sources of pain in each of the three people. The girl has, we gather, half killed a fellow inmate because she stole her piece of blue cardboard (image of sky, freedom, infinity?); both the doctor and the cook have suffered traumas involving blood (red against the blue, image of pain, mortality?) and there has been a sexual rejection of the man by the woman, and a rejection of her own family by the girl.

Absolutely nothing "happens" until about a minute before the end. From the point of view of radio the distinction of the play lies in the inherent dramatic power of the language. It is most exquisitely spoken, each subtle *cadence weighted and perfectly* timed by Irene Worth as the woman, Maureen Andermann as the girl and James Ray as the man. Called by the author "a chamber play" it is capable of being performed in a theatre without alteration, and no doubt *we shall have an opportunity to* see how well it holds the stage before long. In any event, it is a most distinguished treatment of the theme of alienation which will yield fuller and richer meaning each time it is heard or seen.

ANTHONY CURTIS

Festival Hall

Vienna Philharmonic

by GILLIAN WIDDICOMBE

Spending the week-end in London, the Vienna Philharmonic rejuvenated its reputation as an orchestra of glowing, auburn string tone and suave *woodwind. That it maintained* its characteristic aroma in the Festival Hall (which must surely compare to Vienna's old Musikverein like a dead hyacinth to a camellia in full bloom), with minimal rehearsal, was an extra achievement, largely due to the warm, vigorous conducting of Claudio Abbado. On Saturday, Abbado opened the week-end at the deep end, with Brahms' Third Symphony, followed by Mozart's E flat, No. 39, and Beethoven's third *Leonora* overture. The hall was by no means full—more sad than surprising, *with seat prices up to £10—but* those doubting the concert's importance would have been consoled by the fact that, as at all great occasions, there was a shortage of programmes.

Abbado's was a young man's Third, ardent in colour, courageous in detail. In some respects it was a sectional interpretation—the opening tutti very full and heavy, the pianissimo interludes extremely quiet and still. It was not one of those Brahms readings which unfolded like a scroll, but one which contracted and expanded according to a plan. Abbado's rubato was less elastic and fertile than, say, Karajan's during the Berlin Philharmonic's Brahms' cycle here, 18 months ago. But Abbado took a liberal approach to tempo, and large-scale accelerando, with a theatrical sense of structure. Tempi were generally slow, but never ponderous.

Many details were beautifully observed, best of all those detached crotchet upbeats with which Brahms often closes a rising line. And Abbado made a sharp distinction between *different* varieties of legato phrase, using a positive cantabile for melodic string line, and smooth, unspiced, seamless playing for woodwind fragments and string padding. It sounded as though he had sorted each phrase into a specific category: this one, lyrical: that, a textural pattern; the others, rhythmic *scansion. Sforzati were* not overdone, but small dynamic crests were accurately graded; at the beginning of the Allegretto the strings produced a perfect mezza voce sonority.

Abbado slimmed the orchestra down to four basses for Mozart's E flat symphony. The playing was deft, elegant, but without much wit. Best was the Andante, again for the singing quality

The Entertainment Guide is on Page 7

with which its short phrases were sustained. Ensemble was particularly good with these small forces. The clarinets shone, with rich phrasing, but tone as pure as white porcelain. The use of rotary trumpets gave Mozart's *percussive writing* a mellifluous colour: but the placing of the tympani—in their usual Viennese position, towards the left of the platform—was unflattering. (In the Festival Hall, timps must be in front of the organ console, or they sound like knobbly boomerangs). The VPO's other weak spots were obvious only in the Brahms. A discernible number of passengers in the strings, some bantams in the lower brass, and a weak oboe section. Incidentally, woodwind intonation was unusually pressed, or mean-toned.

Naturally, Leonora No. 3 was exciting. An eventful balance of mystery, energy in theatrical timing: and vivid, watchful orchestral playing.

*

It was sad, approaching the Albert Hall last *night* for the Vienna Philharmonic's second concert, to see a queue still waiting just before *starting* time, hoping presumably for lower-priced seats, then to go inside and find a number of the highly-priced ones unoccupied. The London concert public, by no means entirely composed of wealthy sheep, has its own way of reacting to severe demands on its purse, even if that means doing without Beethoven played by the great Vienna orchestra and conducted by Austria's *Generalmusikdirektor*, Karl Böhm. Nothing else about this memorably good concert was sad.

The published programme consisted of two symphonies, the Fourth and the Eroica. In the context of the strictly conventional programmes selected by the orchestra (or by the sponsors of the tour), Beethoven's Fourth, less popular anyway than it *deserves*, almost ranked as a daring departure from well-trodden ways. For the gesture we must be thankful—the playing was exceptionally live, well balanced and well sprung, with a graceful tempo for the admirable finale, which still allowed strong tension to build up, and to wind down, no less momentously. Wind chording, impeccable *in ensemble*, was slightly sour in tuning. This may be the price to pay for the soloists' *almost complete lack of vibrato* —the clarinet's playing in the slow movement was so steady as *to induce second thoughts* about the greater "expressiveness" of our clarinettists.

Böhm's Eroica was humane, shapely, lovingly but keenly controlled in a way that nevertheless encouraged a wide range of colour in the *marcia funebre*, with a fierce climax to the *maggiore section, and much* grandeur from the strings—a more versatile body than the conventional dithyrambs about their lusciousness might suggest. The first oboe in the Eroica was different, I think, from the one at Saturday's concert (which I was lucky enough to hear as a guest) and his tone was sweeter. I would guess, however, from the inimitably, perfectly clear chortling sound of his quick passages, that the flautist was the same.

The placing of the tympani on the left is very well for those on that *side*—the dry sound was most effective in the Eroica. The violas, sometimes inaudible from a right-hand seat in the Festival Hall, made a rich contribution last night, though by some freak the sound appeared to come from another direction. *Otherwise, the old monster of* Kensington was behaving well, full upper galleries only permitting the echo to peep out once or twice during the scherzo of the Fourth Symphony before scuttling away for good.

A programme of two Beethoven symphonies in readings so absorbing is enough for anyone, but the omission of exposition repeats in the Fourth seemed short measure. As compensation, we had a full-length encore in the *Meistersinger* overture, in which Böhm was able for the first time in the evening to display the *uniquely rewarding sound of the* Vienna Philharmonic in noon-day romantic music such as Wagner. Enormous enthusiasm.

RONALD CRICHTON

Sadler's Wells Theatre

Tales of Hoffmann

The Tales of Hoffmann was Peter Darrell's first big creation for his company after the move to Scotland. His freshly-wrought *Giselle had been given the year* before (1971), announcing to his new public that their national ballet was to rest upon certain classic foundations, albeit the *Giselle* staging also reflected the dramatic traditions and attitudes that Darrell had fostered in Scottish Ballet's earlier *persona* as Western Theatre Ballet "Theatre" was still part of the company's title at this time, and if national status has meant the loss of the word in nomenclature, it has not been excluded from the company's policies.

With *Hoffmann* the "theatre" is very strong. It is a three-act ballet, because such works are important and attractive to Darrell's audience as well as to his company. It is a cleverly made entertainment, a jolly evening for the public Scottish Ballet was winning, with Offenbach to charm, and passion, an *orgy, doomed love and plenty of* dances to keep the action alert if not always on the move.

Darrell is far too astute a creator and too much a man of the theatre not to produce a work of sound dramatic effect, and so *Hoffmann* proved on Friday night. What it sets out to do it does very efficiently. The translation from operatic to balletic convention is adroitly managed, the dances are ebullient, and if none of the principal performances struck me as being as vivid as the ballet really demands, there was plenty of enthusiasm from the company, pleasing designs by Alistair Livingstone, and the undimmable delights of Offenbach's melodies.

CLEMENT CRISP

HOME NEWS

Institutions may set up North Sea syndicate

BY RAY DAFTER, ENERGY CORRESPONDENT

MAJOR INSTITUTIONS — insurance companies and pension funds — may form a syndicate to invest in North Sea oilfield development under a scheme circulating in the City.

They may invest about £50m. to buy their way into an offshore operating group. The Department of Energy has already given its blessing to this type of scheme which could help the financing of new oil fields such as the Brae discovery.

If the institutions became involved in what would be a novel financing deal they would have to accept the principle of State participation in the field in which they acquired an interest.

Charterhouse Japhet, part of the Charterhouse group, which is promoting the venture, hopes to hold the first syndicate meeting on May 11. Preliminary talks have already been held with institutions and offshore operators and the first deal could be completed in the autumn.

The parent Board of Charterhouse has already agreed in principle to investing at least £1m. in the first syndicate. Institutions are being asked to invest a minimum of £1m. each in order to acquire a stake of about 10 per cent. in a proven field regarded as commercially viable and where existing companies might be finding it difficult to raise the cash for development work.

Private cash

Pan Ocean, the operator for the Brae Field—thought to be the third biggest find in the U.K. sector of the North Sea—has already talked to major oil companies and other financing organisations in an attempt to arrange the £1bn.-plus development programme, for instance.

Brae, which was discovered by a group of relatively small companies, is the sort of venture the Charterhouse Japhet team would be seeking although the prospectus, now circulating among major institutions, points out that the chosen field must have an "operator of proven capability." Consequently, the syndicate would probably take a stake in Brae only if a major oil company was present as operator.

Charterhouse Japhet claims that offshore operators seeking cash for development are likely to turn increasingly to the private sector as the Government and the new State-owned British National Oil Corporation seem short of cash.

It is estimated that by 1980, between £8bn. and £10bn. will be needed to develop commercial fields in the U.K. North Sea. The peak expenditure should occur in 1976-78. Only approximately 70 per cent. of the total development expenditure is likely to be met by major oil companies or other substantial commercial corporations.

Trade Department to discuss light bulb dumping in U

BY CHRISTOPHER LORENZ

THE Department of Trade has invited the Lighting Industries Federation to Ministerial talks this week about the Federation's demand for urgent action to stop the alleged dumping of 30m. East European electric light bulbs in the U.K. this year.

The import of household bulbs on this scale could put hundreds of British jobs at risk, according to the £30m. industry, which includes Thorn, GEC, Philips, and Crompton-Parkinson. The toll, according to one company, could reach thousands if the three countries concerned—Czechoslovakia, Hungary and Poland — were to extend their exporting on such a scale to fluorescent tubes.

Employment on the manufacture of lamps and tubes in Britain has fallen by 2,500 in the past 30 months to about 17,000.

The industry claims to have firm evidence that 30m. is the three countries' planned level of exports of household bulbs to the U.K. this year, compared with 8.5m. last year, and only 2.4m. in 1974.

The most recent annual figures show that only 5 per cent. of the 210m. household b in Britain were impor any source, according Federation.

The Federation alle the landed prices of European imports w even cover the cost of for similar products manufacturers.

The Federation wrot Secretary of State f more than three we asking for urgent talk is a strong feeling a members that to go th normal procedure of *prima facie* case, follo Government investigati take too long to be eff

The bulbs are alrea landed at a rapid rate reported to have arriv first two months of th

● The television prod the Bolshoi Ballet's Ro Juliet, shown on B night, used the new T (compact source iodid CSI lamps plug directl mains and can achie than average light lev siderable savings in and electricity are clai

Shipbuilding crisis talks this week

BY JOHN WYLES, SHIPPING CORRESPONDENT

TOP-LEVEL talks on the world oil tanker surplus and the related crisis of shipbuilding overcapacity will take place in London and Paris this week.

Meetings of the International Maritime Industry Forum in London to-day and of the Organisation for Economic Co-operation and Development's shipbuilding working party in Paris to-morrow will be closely watched for signs that governments, shipowners, shipbuilders and bankers may be making progress towards reaching a co-ordinated approach to crises which stem basically from the drop in world oil consumption.

This fall has made nearly one-third of the world tanker fleet surplus to requirements and has brought many tanker owners to the brink of bankruptcy.

Cancellations of new tankers amounting to more than 50m. d.w. tons have left the world with 40 per cent. more shipbuilding capacity than it will need for several years.

Forum representatives will be hearing a report from Sir James Bennett, their chairman, on his activities since he was appointed in January.

The founders of the forum originally hoped to draw up a package of measures to be adopted by the tanker industry and individual governments in a concerted bid to curb the surplus, now estimated at 100m. d.w. tons and rising.

Internal debates have raised conflicting interests between shipowners, oil companies, banks and shipbuilders represented in the forum.

Shipbuilders are reluctant to back any proposals which involve more large-scale tanker cancellations in spite of the view that, with more than 50m. d.w. tons due for delivery this year, cancellations are vitally needed to ease the surplus.

Tanker owners have failed to agree on various proposals which three months ago appeared likely to win general approval.

In particular, strong opposition has emerged to the idea of segregated ballast tanks, the system whereby tankers would carry ballast in compartments specially separated from their oil tanks.

More rail fare rises warning

INCREASES in rail fares designed to yield another £40m. a year took effect yesterday. But British Rail said at the week-end that "further increases this year cannot be ruled out."

The warning came because yesterday's increases do not take into account any extra costs which will have to be passed on to rail users as a result of the pay claim now lodged with the British Railways Board.

The unions have been offered the full £6 allowed under the voluntary pay restraint scheme.

The average increases in fares are 12 per cent. but for short-distance commuter journeys they have risen as much as 17.5 per cent.

Beer sales big fall worries brewers

BY KENNETH GOODING, INDUSTRIAL CORRESPONDE

BREWERS are worried about the steep fall in beer sales this year.

Last month production statistics, to be published in a few weeks, will show a worsening of the situation with a drop of nearly 8.5 per cent. on the same month last year.

This takes output back to 1972 levels. The brewers are concerned because a slight fall in the production volume always has a major impact on profits.

Production in January was down 16.05 per cent., as confirmed by Customs and Excise statistics issued at the week-end.

However, when speci were taken into acco as the extra brewing January last year and up by pub tenants bef increases in January th the underlying drop ably about 5 per cent.

In this respect, last figures are worse, for no mitigating factors seem that the high cos and the smaller an money drinkers have is having a serious effe sumption.

Retailers to urge end of gross margin curbs

BY ELINOR GOODMAN, CONSUMER AFFAIRS CORRESPONDENT

RETAILERS ARE likely to urge the complete abolition of gross profit margin controls when they begin their negotiations over the new Price Code.

Failing this, they will ask the Government to restore their gross profit margin ceilings to the level in force before Mrs. Shirley Williams, Secretary for Prices, reduced them by 10 per cent. in May, 1974.

Some accept that it is unlikely that gross margin control will be removed totally when the present code expires in the summer.

Retailers' net and gross margins are both controlled at present. Unlike manufacturers, however, they do not have to notify the Price Commission of proposed price increases and are allowed to change prices, as long as they keep within their overall profit ceilings.

Since the 10 per cent. reduction in their gross profit margin reference levels in 1974, it has been the gross margin part of the Code, which reflects the mark-up on goods sold before deduction for overheads, which has been biting hardest.

The Price Commission's figures show that, though most retailers are operating well below their net profit margin reference levels, they are much nearer their gross ceilings.

In the Commission's last quarterly report, Britain's largest distributors were operating, on average, at around 90 per cent. of their gross reference levels.

New Budget forecasts

By Michael Blanden

THE BUDGET on April 6 is likely to be marginally reflationary, though a further boost to the economy is expected to be given in July as part of the second stage wage policy package, according to stockbrokers Phillips and Drew.

It suggests in its latest economic forecasts that the Budget will inject about £500m.-£750m. into the economy.

This would be followed by pay policy changes, which could involve an 8 per cent. "norm" for wage rises, coupled with a further cut of £1bn. in direct taxation.

Engineers win design awards

DESIGN COUNCIL engineering awards for 1976 go to designs ranging from a 6p potentiometer to a £30,000 metals testing machine.

The first award to an agricultural implement goes to the Massey Ferguson MF 30 series of seed drills.

The winning metals testing machine, by Instron, of High Wycombe, was said by the judges to combine the best features of the two types of machine previously used for this purpose.

The 6p potentiometer was designed by Egen Electric for colour television receiving. Other winners are:

Comark Electronics: A pocket thermometer which can measure temperatures within the range minus 50 degrees C. to 1,000 degrees C.

Desoutter: A lightweight air-powered miniature screwdriver.

Ealing Beck: A stereo micro-scope for the electr dustry. It can also be clinical laboratory work

Brown Brothers and pioneering a new app ship stabliser control sy

Curwen and Newbe heat regenerator which cover up to 80 per cen heat usually wasted by and commerce.

Trip-lite: A yarn-f detector for high-speed machines.

EEC 'storing 1,000 tons of Ulster beef weekly'

UP TO 1,000 tons of Northern Ireland beef is being withheld from British butchers every week and sent to intervention cold stores, according to Mr. Brendan McGahan, marketing executive of the Ulster Livestock Marketing Commission.

This loss follows changes in Britain's "premium" system of support for beef farmers made after the recent EEC agricultural talks. It represents nearly 5 per cent. of Britain's average weekly beef consumption and threatens to bring further price increases at a time when supplies are at a seasonal low.

Homes societies warned over interest rates

Building societies should take great care in altering their interest rates, said Sir Herbert Ashworth, chairman of the Nationwide Building Society.

There was scope in the short-term for a reduction in interest rates paid to investors, but societies would have to wait until after the Budget because any changes in income-tax rates would have a substantial effect on their operating margins.

In the long term, there was likely to be growing competition for funds and the societies did not want to prejudice the future prospects for house builders and home buyers.

'Modest recovery'

Economic indicators published during the past month "show that a modest recovery is probably now under way," said Dr. D. F. Lomax, economic adviser to National Westminster Bank. Real gross domestic product (average estimate) rose 1.4 per cent. in the fourth quarter of last year. From December to February the volume of retail sales was 2.6 per cent. higher than in the preceding three months.

Dearer Lancias

Lancia, the Fiat-owned Italian car manufacturer, to-day raises prices of some of its models by an average of nearly 3 per cent.

Examples: the Beta Spyder, up £50 to £3,791; the Beta 2000 HPE Estate, up £190 to £4,086.

Stamp duty plea

British Legal Association meeting at Bournemouth called on the Government to abolish stamp duties on house purchases up to £25,000 and on compulsory land registry.

Expansion

Arnhem Engineering has expanded its plant at Telford New Town, Shropshire, 3½ times in less than three years in terms of floor space and is creating another 50 jobs. The target of 1m. brake shoes a year has been lifted to 25m.

Businessman's Diar

U.K. TRADE FAIRS AND EXHIBITIONS

Date	Title	Venue
Current	Daily Mail Ideal Home Exhibition (cl. Apr. 3)	Olympia
To-day	Pulp, Paper and Board Exhibition (cl. Apr. 1)	Metropole Centre, Br
To-day	Brewing, Bottling and Allied Trades (cl. Apr. 2)	Earls Court
Apr. 5—8	Junior Fashion Fair	Horticultural Halls, S
Apr. 5—8	Photography at Work Exhibition	Exhibition Centre, H
Apr. 5—9	Heating, Ventilating, Air Conditioning Exhibition	Nat. Exbn. Centre, B'
Apr. 5—9	Plastics Industries Exhibition	Belle Vue, Mancheste
Apr. 6—8	Leatherware International Exhibition	West Centre Hotel, S.
Apr. 7—9	London Fashion Fair	Earls Court
Apr. 7—10	British International Fashion Fair	Nat. Exbn. Centre, B'
Apr. 8—10	Frozen Food Exhibition	Metropole Centre, Br
Apr. 10—20	Birmingham Motor Show	Bingley Hall, Birmin
Apr. 25—28	Incentive Marketing and Sales Prom.	Metropole Centre, Br
Apr. 26—29	Manchester Toy Show	Belle Vue
Apr. 26—30	Storage, Handling and Distribution Exhibition	Olympia
Apr. 26—30	Automotive Service Equipment and Supplies Exbn.	U.S. Trade Center, W.
Apr. 26—30	Int. Fire, Security and Safety Exhibition	Olympia
Apr. 27—29	Leather and Associated Trades Show	Nat. Exbn. Centre, B'
Apr. 27—29	Laboratory Equipment Exhibition	Cunard Int. Hotel, W.
Apr. 27—29	Industrial Dev. Exhibition and Congress	Royal Lancaster Hote
Apr. 27—30	Int. Pipeline Eng. Exbn. and Convention	Earls Court
Apr. 27—30	International Marine Exhibition	Earls Court

OVERSEAS TRADE FAIRS AND EXHIBITIO

Apr. 1—4	Heating, Air-cond., Environment Technics Fair	Vienna
Apr. 3—7	Women's Ready-to-Wear Clothing Exhibition	Paris
Apr. 4—11	Food Beverages and Machines Fair	Thessaloniki
Apr. 5—10	Electronic Components Exhibition	Paris
Apr. 5—12	British Technology for Malaysia Exhibition	Kuala Lumpur
Apr. 6—9	Petrotech '76 Oil and Nat. Gas Exhibition	Amsterdam
Apr. 6—11	International Swedish Trade Fair	Gothenburg
Apr. 6—11	Building, Heating, Plumbing, Air Conditioning	Helsinki
Apr. 7—11	International Exhibition of Textile Machinery	Kallang, Singapore
Apr. 10—12	Fashion Fair	Hamburg
Apr. 14—23	Milan Trade Fair	Milan
Apr. 21—25	Int. Biennial Exbn. for Sheltered Farming	Verona
Apr. 22—28	International Spring Fair	Zagreb
Apr. 23—May 2 .	International Household Fair	Amsterdam
Apr. 24—May 3 .	Swiss Industries, Watch and Jewellery Fair	Basle
Apr. 24—May 4 .	International Motor Show	Barcelona
Apr. 24—May 6 .	International Handicraft Exhibition	Florence
Apr. 24—May 9 .	Brussels Trade Fair	Brussels
Apr. 25—29	International Fashion Trade Fair	Dusseldorf
Apr. 25—30	International TV Programme Market	Cannes
Apr. 28—May 5 .	Modern Technology Exhibition	Tehran
Apr. 28—May 6 .	Hanover Fair	Hanover

BUSINESS AND MANAGEMENT CONFERENC

Mar. 30	BACIE: Television in Training	Goldsmith's College,
Mar. 30—31	Wales Intl.: Production and Planning Systems	Bath
Mar. 31	BAS: U.K. Construction Ind. in Kuwait and UAE	NFBTE Centre, W.1
Apr. 5—9	Bradford Univ.: Executive Management	Heaton Mount, Bradfo
Apr. 5—9	PE-Cons. Group: Project Management	Training Centre, Egha
Apr. 5—9	Kepner-Tregoe: Decision Making for Senior Man.	Hartley Wintney, Hant
Apr. 6—9	Brunel Univ.: Participation in Practice	Uxbridge, Middlesex
Apr. 7	Imperial Coll.: Productivity Analysis	Imp. College, S.W.7
Apr. 7	Operational Research: Investment Appraisal	London Graduate Schl.
Apr. 8	Staniland Hall: The Budget, Economy and Industry	London Hilton, W.1
Apr. 9	Oyez: Community Land Act	London Hilton, W.1
Apr. 12	Consumer Forum: Practice Standards	Manchester University
Apr. 13—15	Insight-Ebav (UK): Video Disc '76	Royal Lancaster Htl.,
Apr. 13	WTI: Finance of Exports	World Trade Centre, E
Apr. 14	Henley Centre for Forecasting: The Budget	Carlton Tower Htl., S.W
Apr. 14	Timber Research: Farmbuilding in Europe	Stoneleigh, Warwickshi
Apr. 15	BIM: Pension Schemes and New Act	Management House,
Apr. 22	Inbucon: Disclosure of Information	Financial Times Cinem
Apr. 23	Inst. of Purchasing: Contract Price Adjustment	Park Court Hotel, W.2
Apr. 23	Guardian: Contracts, Dismissals and Redundancy	Park Court Hotel, W.2
Apr. 23—24	Leeds Univ.: Patents in the Common Market	Leeds
Apr. 23—27	B.T.A.: Conference '76, Group Communication	Grosvenor Hse., W.1
Apr. 25—28	Seminar on Investments in Rio Grande Do Sul	Brazil
Apr. 28—30	IPM: Selecting the Right Candidate	Whites Hotel, W.2
Apr. 28—29	Ass. Cert. Accts.: Investment Appraisal	Clifton Ford Hotel, W.
Apr. 29	Bus. & Ind. Trg.: An Approach to Private Medicine	Cafe Royal, W.1
Apr. 29—30	Financial Times, the Banker and the Investors Chronicle: New York—World Financial Centre	Waldorf-Astoria, New Y

OVERSEAS NEWS

Italian unions object to payments freeze plan

BY DOMINICK J. COYLE ROME, March 28.

...LIAN TRADE unions have ...ted sharply to a suggestion ...buted publicly but unoffici... to Signor Paolo Baffi, ...rnor of the Bank of Italy, ...the Government should put ...ck on all threshold payments ...w wage contracts as part of ...measures to tackle the ...try's present economic crisis. ...nor Baffi was among those ...attended a top-level minis...l meeting here at the week... presided over by the Prime ...ter Signor Aldo Moro held ...Italian Treasury officials representatives of the Inter...nal Monetary Fund had ...l to reach agreement on a ...er Italian drawing of $530m. ...the Fund. ...ese IMF negotiations are to ...sumed "in the next weeks" ...ding to official sources here but it is known that the Fund is not satisfied that Signor Moro's minority government, on the basis of present policies, can hold down the public sector deficit this year to manageable proportions. The IMF is also pressing for the introduction of some form of incomes policy.

The Government is now to meet on April 6 with the three main national labour confederations both for general discussions on the economic crisis and in particular to try to reach agreement on a number of outstanding key labour contracts. These talks will take place against the background of increasingly pessimistic but still unofficial estimates that Italy's inflation rate this year could well exceed 20 per cent.

Compensation to the main body of state and private sector employees through theshold agreements for price inflation of such proportions would, it is feared, and given unchanged spending and/or fiscal policies, make a nonsense of undertakings which, Italy has already given to the EEC on the expected level of the 1976 public sector deficit.

These undertakings were part of an agreement whereby Italy secured earlier this month a Community-backed loan of $1bn., and Italian officials and Brussels Commission representatives are scheduled to meet in the next few weeks to work out a formula for monitoring progress on the overall level of State spending, the likely Treasury deficit and Italian credit policy generally.

Even moderate trade union leaders are forecasting "violence in the streets" if threshold payments are blocked, and Confindustria, the main employer organisation, is also understood to be opposed to such a step, arguing that at best, it would effectively break down the concept of national wage negotiations and return the argument to almost certainly highly disruptive plant by plant bargaining.

Although attributed widely to him by the Italian Press, Signor Baffi has not himself accepted responsibility for the suggestion of blocking cost-of-living payments, and it is possible that the Government has floated the idea to gauge trade union reaction.

...CI hits back at Moscow

ROME, March. 28.

...Italian Communist Party ... to-day strongly defended ...against Soviet attacks on ...ational brand of Marxism, ...ing that its policies are in ...with the specific needs of ...

...party line was spelt out ...engthy and detailed analysis ...shed in the official news... L'Unita, signed by Signor ...ni Cervetti, a young mem... of the PCI's nine-man secretariat known to be close to party leader Enrico Berlinguer.

Signor Cervetti defended the Italian party's policies against a scathing attack made 11 days ago in Moscow by the Kremlin's chief ideologist Mikhail Suslov, who spoke out against regional or national versions of Marxism which he said "have nothing in common with revolutionary theory and do harm to the cause of the working class."

Reuter

VW to raise car prices

By Adrian Dicks

BONN, March 28.

VOLKSWAGEN, which held about one-quarter of the market for private cars in West Germany during the first two months of this year, announced over the week-end that it is raising prices on the home market by an average 4.6 per cent. with effect from to-morrow.

For the Golf, which with 26,456 units sold in January and February remains West Germany's single most popular model, the price increase is from DM7,995 (£1,631) to DM8,325 for the basic version.

The price of the Passat, Volkswagen's next largest and next most popular model in its new range, will go up from DM10,190 to DM10,685. There will be larger increases further up the model range, with the luxury Audi 100 rising from DM13,495 to a new level of DM14,295.

It remains to be seen whether other German manufacturers will follow VW's lead on the still buoyant home market.

The Supervisory Board of Volkswagenwerk is expected to approve the company's long existing plans to open its own assembly plant in the U.S., according to sources close to the company, reports AP-DJ from Wolfsburg.

Nixon's 'last days' may become a presidential campaign issue

BY DAVID BELL WASHINGTON, March 28.

THE devastating portrait of President Nixon's last days in office which emerges in the new book by the two reporters who first broke the Watergate story threatens to bring the whole issue back into the centre of the political stage with unpredictable consequences for the election campaign.

But is it just the book? Next week-end there is also the premiere of "All the President's Men," the film of the first book by the two Washington Post journalists, Bob Woodward and Carl Bernstein. With Robert Redford and Dustin Hoffman playing the two reporters this film is expected to play to packed houses all over America. Meanwhile the second book—"Final Days"—starts serialisation in a major news magazine to-morrow.

President Ford, campaigning in California, was quick yesterday to attack the book saying he wished such reporting did not exist and that he had never seen any evidence to confirm any of the allegations made in the book. But, as the man who pardoned Mr. Nixon, he is more aware than anyone that Watergate still remains a major issue just below the surface. Whether it will become an open issue, and whether these media events will trigger sudden resentment at the pardon remain to be seen.

Many of those quoted in the book have refused to comment or denied much of what it says. Dr. Kissinger said yesterday that it was so full of inaccuracies that he would not comment on it in detail. Yet the two men have interviewed some 394 people in a year of research and they have stuck to their earlier principle that they will not quote as fact anything that has not been independently confirmed by at least two sources.

Suicide threats

Mr. Nixon appears in the book disconsolate and out of control, drinking heavily threatening suicide, harrying his aides and for many months scarcely bothering with anything other than Watergate. Dr. Kissinger, secretly monitoring and transcribing all Mr. Nixon's phone calls, talks scathingly of him as "irrational" and a "madman."

On the night before his resignation, he kneels and prays with a sobbing President in the Lincoln sitting room in the White House. Tears streaming down his face, Mr. Nixon is portrayed beating the floor crying "what have I done?"

Then there are H R. Haldeman and John Ehrlichman, who like the other Watergate defendants are still appealing their convictions. Called the "Nazis" by Kissinger, they are reported to be still telephoning Nixon right up to the end begging for a pardon and accompanying their pleas with scarcely veiled threats to expose the President.

As fears for the President's sanity grew, General Haig, his chief assistant in the final months, is reported to have ordered all sleeping pills and other drugs to be removed from the President. Suicide is never far from his mind. "You fellows in the army have a way of dealing with this. Somebody leaves a pistol in the drawer," Mr. Nixon is said to have told the General.

Perhaps more serious, if the pardon issue should come to figure in the campaign, is the reporters' repeated claim that even Mr. Nixon's most loyal lawyers had concluded long before he resigned that he was almost certainly lying. Some of them wanted him to quit in November, 1973, others listened open mouthed as he talked of ways of fabricating evidence, dropped clear hints that he had caused the erasure of the famous 18 minute gap in one key tape and tried to find a way of burning all the tapes only to be dissuaded because he could not have got away with it.

But it must be the harrowing picture of Mr. Nixon's last days in office that sticks in the mind. One night his son-in-law is reported to have seen him walking through the White House talking to portraits of former Presidents.

Richardson to head 'payoffs' commission

By David Bell

WASHINGTON, March 28.

PRESIDENT FORD announced last night that Mr. Elliot Richardson, the Commerce Secretary and former U.S. Ambassador to Britain, is to head a Cabinet-level commission that will investigate alleged illegal payments by U.S. corporations overseas.

The Upjohn company yesterday became the latest of these to reveal that it has advanced sums of money "for the purpose of securing sales to Government agencies." In a report filed with the Securities and Exchange Commission, the company said it has paid a total of $2.71m. to employees of 22 foreign companies or their intermediaries during the past five years.

Presumably the new Commission will be charged with investigating all cases similar to this and particularly the case of the Lockheed Aircraft Corporation. However, Mr. Ford, who released only bare details of the plan at a campaign stop in Wisconsin late last night, said that Lockheed would also have to be dealt with in the context of an international code of conduct for the behaviour of multinational corporations.

The State Department has for some time been working on such a code in the hope that international agreement might put an end to embarrassing situations like that which has arisen over Lockheed.

...panish Left unites as ...ears of violence grow

...ROGER MATTHEWS MADRID, March 28.

...N'S TWO main opposition ...ps are due to announce ...row the details of their ...ce aimed at giving the ...try a united democratic ...n to the present regime. ...ement between the 15 or so ...es involved in the two ...ps—the Democratic junta ...ed by the Communist Party, ...the Democratic platform ...h brings together the main ...list party, Social Democrats ...left wing Christian Demo...—represents a major step ...ard for the still illegal ...sition and is a blow to ...rnment attempts to isolate ...Communists.

...comes against a background ...ounting anxiety about the ...bility of fresh street clashes ...g the fortnight before ...r and warnings that ex...ists will try to raise the ...ical temperature in advance ...hat is expected to be a con...e May 1st.

...determination of reformist ...nts inside the Government ...also start being put to the ...as the conservative forces ...n the Cortes begin debating ...ative plans aimed at intro...g a degree of political ...alisation. Already a flood ...endments have been sub...d to the draft law on the ...of assembly and demon...ns. Before that, however, the economic measures designed to support the devaluation of the peseta come up for discussion with the prospect of a constitutional crisis if, as threatened, the Cortes refuses to give its approval.

Progressives within the regime have also been depressed by last week's election to a vacant seat on the Council of the Realm which brought in a hard-line member of the Government-run "Sindicatos" to bolster an already heavily conservative body. The Council of the Realm has announced significantly that in future it will meet once a fortnight to fulfil its role as permanent advisory body to King Juan Carlos.

The king meanwhile sets off to-morrow on his second major regional tour, a week-long sweep through the economically depressed southern area of Andalucia. A cabinet meeting is scheduled to be held in Seville on Friday. On the same day, three days of demonstrations and protest actions are due to start in Catalonia in support of a full political amnesty and the regional devolution of powers, while in Madrid the right wing Ex-Combatants Association has applied for permission to hold a march next Sunday at the same time and in almost the same place as a pro-Amnesty demonstration.

...hirac counter-attacks

...RUPERT CORNWELL PARIS, March 28.

...E MINISTER M. Jacques ... this week-end formally ...ed the counter-offensive ...t France's Left with a ...g attack on the Socialist ... M. François Mitterrand ...call for an end to feuding ...the ruling coalition.

...Chirac, just named by ...nt Giscard d'Estaing as ...nator of the parties within ...vernment was speaking in ...t a meeting of the Inde...t Republicans, the Presi... own party and one which ...en uneasy at the "promo... of the Gaullist Premier ...eir own head.

...counter-attack comes just ...ays after the keynote TV ... of M. Giscard d'Estaing ...h has not been judged by ... polls as an overwhelm...ccess—and less than two ...after the Government's ...in the Cantonal elections.

...hirac describes M. Mitter...s a power-hungry opportunist, castigating him for his "insolence" and "inadmissible" attacks on the President after the speech. He also accused the Left of fermenting union unrest and warned of chaos if the opposition won the Parliamentary elections of 1978.

The reforms already promised would go ahead. But the PM warned his audience that squabbling and quarrelling between Gaullists, Independent Republicans and Centrists inside the coalition would have to stop as well. M. Giscard d'Estaing himself plans to set down his blueprint for an "advance liberal society" in a written manifesto.

This is intended not only as a tangible alternative to the joint programme long since drawn up by the Socialists and Communists, but as a means of stilling the doubts of his Centrist supporters that he is going to quietly drop proposed reforms—on the strength of which they backed him in the May, 1974 Presidential election.

...nta names ...nisters

...ENOS AIRES, March 28.

...TINA'S military junta ... named eight Cabinet ...rs to be sworn in to... with the new President, ...ommander General Jorge ... The list includes two ...s and two officers each ...he Army, Navy and Air ...

...civilian with the toughest Señor Jose Martinez de ... takes over the Economy ... The other civilian is ...r Ricardo Bruera who ...ver the Education Minis...

... Martinez de Hoz, a mem... one of Argentina's ...st families, has served ...omy Minister before, in ... under the Presidency of ...ria Guido. For the past ...rs he has been President ...ntina's largest steel firm, ...

Israeli Army criticised

By Our Foreign Staff

THE ISRAELI administration on the West Bank yesterday suspended the Deputy Military Governor of Tulkarm district pending an inquiry into alleged "excesses" that led to the death of an Arab communist two weeks ago after a protest demonstration.

At an Arab High School in East Jerusalem Israeli police arrested yesterday 50 girls and three of their teachers for staging an illegal demonstration. Mayor Teddy Kollek of Jerusalem later protested against the entry of police into the school.

Israeli military authorities were also sharply criticised by the Israeli Supreme Court Justice, Dr. Moshe Etzioni, following the expulsion to Lebanon on Saturday of two residents from the Israeli-occupied West Bank.

Meanwhile, Left-wing Israeli Arab leaders have called for a 24-hour nationwide general strike to-morrow to protest against the Government's requisition of 1,500 acres of Arab-owned land in Galilee.

Israel's ambassador to the UN, Mr. Chaim Herzog, is being called to Jerusalem for consultations following last week's Security Council session.

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The Office World

EDITED BY JOHN ELLIOTT

FLEXIBLE HOURS

BY ROY LEVINE

A lead from the Civil Service

BRITAIN'S 564,000 white-collar civil servants have been given a new opportunity to vary the time they spend at work as a result of a manual on flexible working hours now being circulated to all Government departments by the Civil Service Department.

The manual has been agreed by the CSD with national trade union leaders covering the civil servants. It gives guidance on how flexible hours schemes can be introduced as well as explaining both the mechanical equipment needed to monitor working time and the advance consultations which should take place locally with staff.

It is intended that, against a background of this broad guidance, individual Government offices in London and around the country should initiate their own moves with the only qualification that service to the public and efficiency should not be adversely affected.

Basically, flexible working gives employees freedom to choose their office hours each day apart from during a prescribed "coretime," normally from 10 a.m. to 4 p.m., when all employees must be in the office, or have a supervisor's authority to be absent. Records are kept of hours worked and employees can accumulate extra time spent at work which can be used for additional leave.

The movement towards flexible hours in the Civil Service started in 1972 when it was offered as an extra employee perk to help keep staff during a time of staff shortages. But the advantages of the system go deeper than that. It makes a useful contribution to the efforts of the Civil Service to boost staff morale and improve the quality of working life. Employees have also generally welcomed the greater flexibility and responsibility involved.

In some Government offices, the adoption of flexible working hours has eliminated traffic problems because everyone is not arriving and leaving at the same time. There can be relief for the public transport system, too, during peak hours, as has been noted in some Swiss and Canadian cities.

The Civil Service Department (CSD) hopes that most of the 564,000 white collar Government workers will adopt flexible working hours over the next five years. While the bulk will be in the clerical grades, which tend to work fixed hours, there is no formal constraint imposed by the CSD on who can be involved. Indeed, some sectors of the Department of Health and Social Security (DHSS) have been operating systems which range from typists to Under-Secretaries earning £12,000 a year.

The U.K. has been slower to adopt flexible working hours than the Continent. A Civil Service Department manual for Government employees could boost the pace.

In general, though, senior civil servants who have to work long, unpredictable hours may not want to be part of a formal system of flexible working hours. Whole Departments like the Treasury, where even the clerks work exceptionally long hours, may be reluctant to have a system. So may research staff required to work with their equipment during the night.

So far, some 150,000 civil servants have adopted flexible working hours including 120.000 in the DHSS and Inland Revenue. These two Departments have conducted their own experiments for four years till last summer when they formally adopted the system. The CSD then gave authorisation last November covering all Government departments.

Included in the figure of 150,000 people are some 14,000 employees in other Departments who have adopted the system since November. The main constraint is lack of money for there has been no special financial allowance for flexible working hours and Government offices have had to sacrifice something out of their existing budgets to finance the equipment required.

The CSD's advisory manual suggests that small workplaces with about a dozen people do not need to record the number of hours worked. Bigger offices that want to start a system while waiting for money to buy equipment are told they can record hours worked in writing on a simple form. At the end of each day the time worked is reconciled by each employee with the normal working day of 7.4 hours (or 7.2 hours in London) and the balance is carried forward as a debit or credit. This can then be checked by a supervisor.

At the end of each accounting period (normally four weeks) the debits and credits are added up and carried forward into the next period. Once again this can be checked by a supervisor. Staff can accumulate up to 11.1 hours (or 10.8 hour in London) enabling them to 1½ days credit leave.

Staff can take off a few hours on a casual basis for credit hours, but need a supervisor's authority to be absent for a half day or full day or during coretime. They cannot accumulate more than 11.1 credit hours—any excess is ignored.

The disadvantage of a manual system is that it uses up a lot of employees' time and hence is costly. The CSD recommends the use of meters to record the number of hours for workplaces with fewer than 50 staff and electronic equipment for bigger offices.

Unlike time-clocks, meters record the number of hours worked rather than when an employee starts and finishes work. But the process is similar to clocking-in since each employee has his own key to insert in the meter before he starts work.

Electronic systems are also activated by keys and store the number of hours worked in a central memory. At the top end of the market there are terminals linked to computers that produce weekly time sheets. Costs range widely between £8 to £20 per employee, with an average of around £10.

Under the CSD's code of practice, special credit leave must be given for visits to a doctor, or transport disruptions or trade union meetings, and management can use its discretion for other occasions. Overtime work is agreed beforehand with a supervisor and recorded separately.

From the experiments conducted in parts of the Civil Service, it is clear that there is almost unanimous support for flexible working hours. In both the DHSS and Inland Revenue, over 90 per cent. of staff who had adopted the system did not want to go back to the old system.

There is no evidence, however, that it increases productivity, although both Departments claim it has improved staff morale even though they give no direct evidence like reduced staff turnover. Married women in the Inland Revenue have made more use of the system than the rest of the staff.

At the DHSS staff generally started earlier under the system, took a shorter lunch break and finished earlier. Because work was processed earlier in the day the public received cheques earlier and the remaining office work could be done more effectively.

A fifth of the staff arrived at 8 a.m. and nearly half of them took a 30-minute lunch. Yet only 15 per cent. left between 3.30 p.m. and 4.15 p.m. Almost two out of every three employees took advantage of flexible working hours every day but not many accumulated long credit hours and the average collected was only 3.7 hours.

Enthusiasm for the system is not confined to the public sector. It is estimated that there are 250,000 people in the private sector now using flexible working hours—six times as many as in 1973. The potential is very much greater. According to a recent Manpower Paper issued by the Department of Employment, half the white collar workforce in Britain (of 13m. people) could eventually have greater freedom to decide what time of the day they could begin and end work.

Some companies do not fully understand how to finance new equipment, says a BIM report

When it pays to lease

THE WAY that a company decides to finance the acquisition of new office equipment, whether by outright purchase or leasing, can have important implications for its profits, cash flow, and the amount of tax it has to pay.

Yet a recent survey* of 202 companies by the British Institute of Management indicates that there is a wide divergence in the extent to which companies understand the benefits of leasing. This applies not only to office equipment but also to assets such as vehicles and machinery.

Sophistication

Broadly speaking, there is a tendency for bigger companies to lease while smaller companies, with turnovers of £5m. or less, tend to buy equipment, according to the BIM which assumes this is because there is a greater management sophistication in larger companies.

Although half the companies surveyed had altered their acquisition policies over the past three years, no major trend emerged. But three minor trends were discernible. These were: changes towards the use of finance leases for large assets, towards operating leases, and towards the purchase of smaller assets.

The conclusion the BIM came to is that leasing may be found to be preferable to purchase and certainly deserves to be considered.

It can be particularly useful to a small company, it adds, especially where the proposed project is considerably bigger than usual, because it creates smoother cash flow and profit.

Overall, the scope for growth may be enormous, says the BIM. About 7 per cent. of all capital expenditure in the U.K. in 1974 was spent on equipment for leasing, which is about one-third of the equivalent ratio in the U.S.

Over the seven years to December 1973, the estimated book value of assets leased by the finance houses rose at an average compound rate of 30 per cent. a year. Growth since then has been even higher in money terms, although real growth, after taking inflation into account, has been negative.

No less than 83 per cent. of companies surveyed by the BIM had bought more than two-thirds of their assets, while nearly a third bought *all* their assets and did not use any leases.

The BIM also found that a little under half the sample had used finance leases to acquire some assets and that over a third had used operating leases.

A finance lease, normally arranged by a finance house, means the lessee pays the full capital cost of the asset (less the expected residual value) plus a service charge which includes interest and profit. An operating lease is normally provided by the manufacturer of the asset for which he rent.

A further breakdown BIM shows that whil were used to acquire eq and machinery, and e office equipment, hire was more popular for a motor vehicles costing £20,000.

Taxation

There is different t ment for assets acquir a lease and those acquir a hire purchase contr rents paid under a l deductible from profits purposes. But it is the le gets the benefit of capit ances which allow him off the full value of in its first year. As a this tax position, the le offer favourable rates lessee.

Under a hire purch tract, an asset is treate purposes as though bought, so that the get the benefit of allowances.

The BIM recomme the best way to whether to buy or lease is to calculate the c revenues under each using discounted ca principles, where the cash is given current v

** The Lease-Buy De Alan Sykes. BIM Ma Survey Report No. 29. C*

ROY

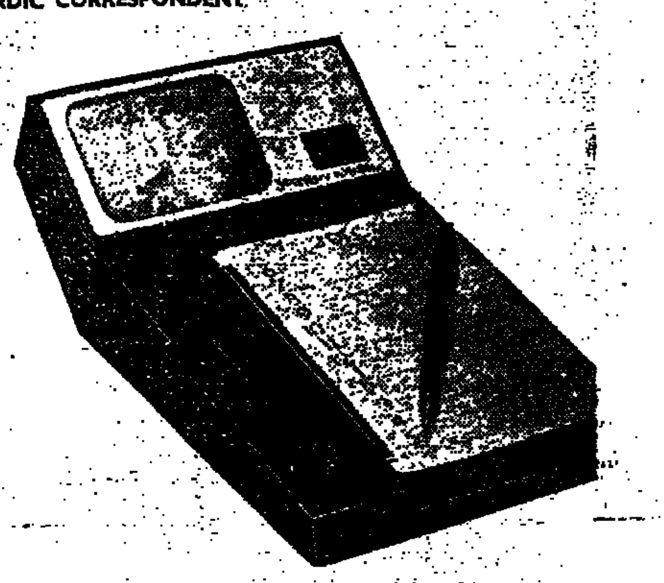
A desk diary that buzzes

BY WILLIAM DULLFORCE, NORDIC CORRESPONDENT

THE TROUBLE with desk diaries is that one can forget to refer to them and so miss appointments. But now the forgetful executive can buy an electronic diary that has a buzzer which reminds him of an appointment at any given time.

It is being marketed by Esselte, a Swedish concern, and is selling well in the U.S. where the company's first year's target is to sell 60.000 of the units, at $70 a time. Now it has become marketed in Europe.

All the executive need do to make sure he is reminded of his appointment is draw a short line across the time of his appointment on a diary sheet. By so doing he completes an electronic circuit, setting off a buzzer on the appointed hour. The buzzer will go on for two minutes (unless cancelled by pushing a button), allowing enough time for him to scramble back to his desk if he is outside the room and within hearing distance.



The Esselte electronic desk diary.

The electronic diary is compact (10 inches by 6 inches) and consists of a raised clock, a buzzer, and an electronic circuit on which is placed a daily diary sheet. Each sheet consists of a thick black line running almost its full length and shorter horizontal lines indicating 15-minute intervals.

The graphite in a pencil mark linking a horizontal line with a vertical line will complete the circuit and set off the buzzer at the required time. There is space on the sheet for a brief note to explain the appointment or other event indicated by the buzzer.

Esselte hopes to sell between 20,000 and 25,000 of these electronic diaries in Europe this year—not all to businessmen. Danish hospitals, for example, have placed orders for their medical staff. Esselte is also considering producing a more conventional book-type desk diary, eliminating the separate diary sheet pad, with a smaller clock and buzzer attachment.

The product, invente Samreus, a Swedis engineer, is the Swedish-Japanese co Esselte holds the pate but the instrument is by the world's third manufacturer of e watches, Citizen.

Its production system on extensive sub-contr Japan which not only k low but also allows re flexibility in adjusting tion rates. Citizen h rights in Japan and Sc Asia and is selling abc diaries a month.

ENTERTAINMENT GUIDE

OPERA & BALLET

COLISEUM. 01-836 3161. ENGLISH NATIONAL OPERA Tomor. & Sat. 7 Don Carlos. Wed. & Fri. 7.30 Tosca. Thus. 7.30 King Riger.

COLLEGIATE THEATRE, Gordon St., WC1. LONDON OPERA CENTRE presents a double bill of: Les Malheurs d'Orphee—Milhau and A Dinner Engagement—Berkeley. April 7, 8, 9 & 10 at 7.30. Box Office 790 4468.

COVENT GARDEN. 240 1066. THE ROYAL OPERA Tonight (Prom) & Thur. (Prom) 7.30 Fidelio. Tomor. (Prom) 7.30 La clemenza di Tito. Wed. (Prom) 7 Carmen. Seats avail. except Wed. THE ROYAL BALLET Fri. (Prom) 7.30 The Dream, Apollo, The Concert. Sat. (Prom) 7.30 Serenade, Afternoon of a Faun, Twilight, Elite Syncopations. Seats avail Fri. 65 Amphitheatre seats for all perfs. on sale from 10 a.m. on day.

COVENT GARDEN. PROMS in assc. with Midland Bank. THE ROYAL OPERA. Tonight 7.30 Fidelio. 700 STALLS PROMENADE PLACES at 50p avail. from 1 hour before curtain up.

SADLER'S WELLS TH., Rosebery Ave. EC1. 837 1672. (Recorded bkg. Inf. 278 5450.) Until April 10. THE SCOTTISH BALLET. Evs. 7.30. Mats. Sats. 2.30. Tonight, tomor. & Sat: Mary Queen of Scots. Wed.: Giselle. Thur. & Fri: Quadruple bill.

THEATRES

ADELPHI THEATRE. 01-836 7611. Evgs. 7.30. Mat. Thurs. Sat. 3.00. VIRGINIA McKENNA JOSS ACKLAND A LITTLE NIGHT MUSIC BEST MUSICAL OF 1975 AWARDS. LAST WEEK—must end Saturday.

ALBERY. 836 3878. Prevs. from April 6, at 8.15. Opens April 20 at 7. National Theatre Production COLIN BLAKELY in EQUUS by PETER SHAFFER Directed by JOHN DEXTER

ALDWYCH. 836 6404. Inf. 836 5332. Royal Shakespeare Company Evgs. 7.30. Mat Wed. Sat. 2.0. THE MERRY WIVES OF WINDSOR LIMITED SEASON—BOOK NOW!

AMBASSADORS. 836 1171. Evgs. 8.0. Matinees Tues. 2.30 Sat. 5.30. 8.30. HAPPY AS A SANDBAG THE WONDERFUL HIT MUSICAL "Delightful. Don't miss it." Daily Exp.

APOLLO THEATRE. 01-437 2663. Evenings 8.30. Sat 5.30 and 8.30. BARRY HUMPHRIES in HOUSEWIFE—SUPERSTAR!!

CAMBRIDGE. 836 6056. Evenings 8.0. Wed and Sat. at 5.00 and 8.15. LONDON'S FOREMOST FAMILY MUSICAL THE BLACK MIKADO "Best Musical '76 & probably '77." S.Tms

COMEDY THEATRE. 01-930 2578. Evenings 8.0 Saturday 5.0 and 8.30 ADAM FAITH in CITY SUGAR by Stephen Poliakoff. "Brilliant . . . amusing & exciting." FT. "VERY, VERY FUNNY." S. Telegraph EVENING STANDARD AWARD WINNER

CRITERION. 930 3216. Evenings at 8. Sats. 5 and 8. ANTON RODGERS PETER VAUGHAN and NICOLA PAGETT in GASLIGHT

CINEMAS

LABOUR NEWS

Public spending, jobless warnings to Ministers

BY CHRISTIAN TYLER, LABOUR STAFF

PROMINENT trade union critics of the Government's economic strategy warned Ministers at the week-end that without a change of direction on public expenditure and a major attack on unemployment, union co-operation with another round of pay restraint was unlikely.

The warnings that the next stage of voluntary pay restraint might be in jeopardy came 10 days before the Budget, in which the Chancellor is expected to offer significant tax concessions and raise pensions in return for co-operation on a pay norm of about 5 per cent.

The same theme was heard at a rally of 3,000 Left-wing union delegates in London on Saturday, when there was a call for a "day of action" in protest at unemployment, including demonstrations and marches, on May 26.

In Glasgow Mr. Alan Fisher, general secretary of the National Union of Public Employees, said: "I should personally regard it as a breach of the social contract if they (the Government) go ahead with the cuts on the present scale.

"One of the things that the TUC laid down when they accepted the £6 pay policy last year was that there would be no cuts in public expenditure, but continued growth to meet the requirements of the Labour Party manifesto."

This was echoed by Mr. Geoffrey Drain, general secretary of the National and Local Government Officers' Association, who told a NALGO rally in Leeds that his union would look to the Government to develop policies "more in line with those advocated by the TUC in its economic review."

"The social contract is not Holy Writ, and is in danger if one party looks like abandoning it."

A conference of union negotiators of the Association of Scientific, Technical and Managerial Staffs called for special attention to those earning between £3,000 and £6,000 a year—"to open out the concertina of differentials."

Way eased for new show union

MOVES TO iron out difficulties over setting up a combined entertainment union for television, radio and the film industry were approved at the annual conference of the Association of Broadcasting Staff at Reading yesterday.

The new union, which would be called the Amalgamted Film and Broadcasting Union and have 33,000 members, would be formed by amalgamating the ABS (most of whose members work for the BBC) and the Association of Cinematograph, Television and Allied Technicians (with most of its members in ITV and the film industry).

The merger has been agreed in principle, but an 18-month acclimatisation period, which started a year ago, has been extended to early next year.

Difficulties have arisen out of compiling a common rule-book and the question of shopfloor control over day-to-day union business. In adidtion the ABS claims that the ACTT wants the new union's rule-book to be the same as its own, which would mean a takeover, not an amalgamation

The ABS conference, which voted against wage control last year, yesterday called for opposition to "any incomes policy . . . that limits the Association's freedom to pursue its pay objectives or exacerbates existing pay anomalies."

Union Board seats could encourage militants, says Aims

BY OUR LABOUR STAFF

LEGISLATION to create trade union seats on supervisory company Boards could expose some companies to industrial agitators, according to the free enterprise pressure group Aims for Freedom and Enterprise.

Aims says in evidence to the Bullock Committee of Inquiry into workers' participation in private industry: "Although many trade union officials are responsible and democratic men, we have a large number of Communists, Trotskyists and Maoists whose avowed intention it is to cause industrial strife to bring down society."

Supervisory Boards could be tried as an experiment, but if made compulsory for all large companies would discourage people from investing in industry. This, in turn, could mean "creeping nationalisation" as companies relied increasingly on State money.

Many companies would be tempted to restrict their growth so as not to qualify for supervisory Boards under the legislation and to retain management control.

Trade union leaders themselves could be put under pressure. Moderates might be regarded as "bosses' men" if they co-operated in "reasonable policies" and their position threatened. Militants on a supervisory Board would be pleased to encourage any militancy at shop floor level.

Aims recommends greater worker participation by making works councils compulsory, including a right to vote for non-unionists.

But Britain should avoid "a dangerous movement towards a blurring of roles, rights and responsibilities."

Too many doctors 'will be chasing too few jobs'

DOCTORS face mass unemployment in five years if changes in the medical career structure are not made quickly, a conference of junior doctors was warned in Nottingham yesterday.

With medical schools due to take 4,000 students a year by 1980, too many doctors would be chasing too few jobs within the present structure, Dr. Neil Olsen, a registrar in chest medicine, said.

Miners return

Eight hundred miners at Teversall Colliery near Mansfield, Notts, the only pit in Britain to continue a recent national overtime ban, return to normal working to-day.

New Thornett bid

Mr. Alan Thornett, the Trostkyist Cowley shop steward known as "The Mole," is standing for election this week as chairman of the joint shop stewards' committee at Leyland's car assembly plant at Cowley.

If he succeeds, he is likely to come into further conflict with the management, which has refused to recognise him as a deputy senior shop steward.

Steel protest

Steel union representatives in South Yorkshire plan to protest to Mr. Eric Varley, Industry Secretary that the British Steel Corporation is considering closing a rod mill at its Stocksbridge works, and transferring the operation to Alloy Steel Rods, Sheffield, a private sector company in which the corporation has a 25 per cent. stake. The corporation says that no decision has been taken on the future of the rod-rolling.

Foundry fury

Britain's foundry workers will be asked at their annual meeting at Llandudno in May to condemn Government policy "which is deliberately creating mass unemployment." But other resolutions for the conference of the Amalgamated Union of Engineering Workers' foundry section call for unions to unite behind the Government.

APPOINTMENTS

Invisible Exports Committee posts

Sir Richard Powell, deputy chairman of the COMMITTEE ON INVISIBLE EXPORTS since its formation in 1968, is to retire on March 31. Mr. William M. Clarke has been appointed a deputy chairman from April 1. Mr. Clarke remains director general of the committee. Sir Max Brown has been appointed chairman of the COIE's Taxation Sub-committee from April 1. Sir Max was Secretary of the Department of Trade and Industry (1970-71). He is now an adviser to J. Henry Schroder Wagg and Co.

★

Mr. Ivan W. K. Smith has been elected chairman of the LONDON DISCOUNT MARKET ASSOCIATION with effect from April 1 in succession to Mr. M. E. R. Allsopp. Mr. Jeremy F. E. Smith has been elected deputy chairman. Mr I. W. G. Smith is the managing director of Alexanders Discount and Mr. J. F. E. Smith is chairman of Smith St. Aubyn.

★

Mr. D. R. Britton has been appointed managing director of GEORGE STURLA AND SON. Mr. Britton spent seven years with Bowmaker in senior positions which included a period with that company's Sheffield subsidiary.

★

Mr. Brian Geddes has been appointed managing director of Space Decks and is also joining the Board of its parent company, BEYER PEACOCK AND CO. Mr. Geoff Hall has been made production director of Space Decks.

★

Mr. C. F. Barnard, managing director of HULL BLYTH AND CO., retires on March 31. His responsibilities as chief executive will be taken over by Mr. Francis Plumbe, the chairman.

★

Mr. F. W. Styles is the new chairman of the ROYAL ARSENAL CO-OPERATIVE SOCIETY. He is chairman of the Inner London Education Authority and Greenwich's township representative on the Greater London Council.

★

Mr. J. G. Lichfield has resigned from the Board of WALTER SKINNER and ceased to be managing director "due to a serious recession in the advertising profession and the consequent redundancy situation." The company states that it is not intended to replace Mr. Lichfield as managing director and there are plans to reorganise that may lead to the disappearance of Walter Skinner (founded in 1883 and one of the City's oldest agencies). Mr. Lichfield expects to return to the consultancy he previously operated.

★

Mr. G. M. Hamilton and Mr. A. Lewis have joined the Board of HOGG ROBINSON (SCOTLAND) and Mr. D. J. Carrington and Mr. Pittway have been appointed to the Board of HOGG ROBINSON (U.K.). The appointments are effective from April 1.

★

Mr. Leo McComish is to become managing director of HILLS INDUSTRIES. He takes over from Mr. Ralph Aston, the group's assistant managing director, who has returned to his other responsibilities in Australia.

★

Mr. David Allen has been appointed sales director of HENDERSON DOORS, a member of the P. C. Henderson group.

★

Mr. Andrew Hall, currently investment manager of the ROYAL TRUST COMPANY OF CANADA in London, has been appointed manager at the new office in Douglas, Isle of Man.

★

Mr. A. J. R. Parker has become managing director of COOPER TOOLS. He was previously general manager, a position he has held since 1974 when the company was known as Weller Electric.

★

Mr. Derrick V. Wood has been appointed to the Board of the BERROW'S ORGANISATION. He is director and general manager of the subsidiary County Express group.

★

Mr. Ernest Webster has retired from the Board of PEGLER-HATTERSLEY.

★

Mr. F. Peter Jones will retire as a director of LEYLAND PAINT AND WALLPAPER on March 31.

THE JOBS COLUMN

Perils of exam-addiction

BY MICHAEL DIXON

WHO WANTS the present plethora of national examinations?

I ask the quesion in some confusion because, if I'm to believe Pat Martin, president of the Headmasters' Association, it is not the schoolteaching profession. "The schools have been beset in the past 50 years by the demands made by society that their products whether they leave at 16 or 18, shall be labelled, docketed and pigeon-holed—ready to be fed into adult society through the correct entrance, or the right tramway." Mr. Martin told his Association's conference in Cambridge the other day.

That is a goodish-sounding sentence. And perhaps, like Pat Martin, I'd be inclined to exonerate the teaching profession and blame "society" if my fairly frequent descents into society had not convinced me that nobody there seems to want the stunting entanglement of examinations, either.

If by "society" Mr. Martin meant "employers." I feel he was being unjust. Mr. soundings suggest that employers would also prefer a severe curtailment of an exam network so convoluted that not even a full-time educational commentator can keep proper track of it. Certainly employers don't want the bramble-bush to produce any more off-shoots, such as the new 17-plus exam which the Schools Council looks bound to try to confuse us with later this year.

My only conclusion must be that nobody in particular wants the examinations, but that having got them, we have all somehow become dependent on them, as though on some sort of drug.

This is currently a particular interest because, as a result of trying to look objectively at the academic and examination machinery for nearly eight years, I have developed an engineering-type exposition of their workings whose implications frighten me. The description cannot be given here because it relies on several charts and takes about three quarters of an hour of chat to present.

Briefly, however, it demonstrates two things. One is that when we plan and select the manpower supply for responsible jobs primarily on the basis of attainments in the formal exam system, we are valuing people in terms of a currency which is no more apposite to the work of the real world than funny money is. The other is that the exam system's tendency to prefer people of particular personality type and social background offers us a distinct prospect of future rule by a hereditary "meritocracy" with an inclination for a well-meaning, if somewhat neurotic, form of totalitarian government.

While I could not be more serious about this, by the way, I do not consider my argument as proved. All it does is to accord with the best evidence about the workings of the system which is available to me so far.

If somebody produces facts which contradict the present conclusions, I will be willing—indeed, happy—to change them. But, on reflection, it worries me that a group of manpower managers who the other night sat through my description seemed inclined neither to try to disprove it objectively nor to take heed of its nightmare implications.

What they apparently did was to dismiss any idea that they should change their ways of planning and selecting manpower. And they did so on the grounds that, although I had demonstrated the nonsense of the criteria they rely on at present, I had not gone on to provide them with something else to rely on instead.

Now, some of my best friends are personnel managers. But I must say that this attitude of the group the other night reinforces my impression that the personnel profession, like its teaching counterpart, has become addicted to the exam system. I say this because their method of dismissing my argument has similarities with the way people dependent on a drug often rationalise their decision not to give it up.

But it is not a rational rationalisation, is it?

After all, if somebody gives you a factual demonstration that the road you are driving along will take you only over the edge of a cliff, then you cannot sensibly ignore him and race onwards simply because he has not offered you a detailed alternative route to where you think you should be going. If you are wise, you will reverse, think again about the direction you want to go, and then try carefully to work out a new route for yourself.

I have given the whole column to this topic this week because I think it of vital importance: if the personnel profession drives over the cliff, most of the rest of us will go with it. But the column will be back next week with some jobs.

BANKING APPOINTMENTS

GENERAL APPOINTMENTS

ART GALLERIES

CLUBS

PERSONAL

BOND DRAWINGS

GRANGES AB 9¾% BONDS 1985

S. G. WARBURG & CO. LTD., announce that the redemption instalment of U.S.$1,250,000 due 1st May, 1976 has been met by purchases in the market to the nominal value of U.S.$1,000,000 and by a drawing of Bonds to the nominal value of U.S.$250,000.

The distinctive numbers of the Bonds, drawn in the presence of a Notary Public, are as follows:

2	78	154	230	306	382	458	534	610	686
762	838	914	990	1066	1142	1218	1294	1370	1446
1522	1598	1674	1750	1826	1902	1978	2054	2130	2206
2282	2358	2434	2510	2586	2662	2738	2814	2890	2966
3042	3118	3194	3270	3346	3422	3498	3574	3650	3726
3802	3878	3954	4030	4106	4182	4258	4334	4410	4486
4562	4638	4714	4790	4866	4942	5018	5094	5170	5246
5322	5398	5474	5550	5626	5702	5778	5854	5930	6006
6082	6257	6333	6409	6485	6582	6658	6734	6810	6886
6962	7038	7114	7270	7346	7422	7558	7634	7942	8018
8094	8200	8406	8482	8558	8634	8908	9134	9210	9286
9362	9438	9514	9590	9666	9742	9818	9894	9970	10046
10122	10198	10274	10350	10426	10502	10578	10654	10730	10806
10882	10958	11034	11110	11186	11262	11338	11414	11490	11566
11642	11718	11794	11870	11946	12022	12098	12174	12250	12326
12402	12478	12554	12630	12706	12782	12858	12934	13010	13086
13162	13238	13314	13390	13466	13542	13618	13694	13770	13846
13922	13998	14074	14150	14226	14302	14378	14454	14530	14606
14682	14758	14834	14910	14986	15062	15138	15214	15290	15366
15442	15518	15594	15670	15746	15822	15898	15974	16050	16126
16202	16278	16354	16430	16506	16582	16658	16734	16810	16886
16962	17038	17114	17190	17266	17342	17418	17494	17570	17646
17722	17798	17874	17950	18026	18102	18178	18254	18330	18406
18482	18558	18634	18710	18786	18862	18938	19014	19090	19166
19242	19318	19394	19470	19546	19622	19698	19774	19850	19926

On 1st May, 1976 there will become due and payable upon each Bond, drawn for redemption, the principal amount thereof, together with accrued interest to said date at the office of:-

S. G. WARBURG & CO. LTD.,
30 Gresham Street, London EC2P 2EB

or one of the other paying agents named on the Bonds.

Interest will cease to accrue on the Bonds called for redemption on and after 1st May, 1976. Bonds so presented for payment must have attached all coupons maturing subsequently to 1st May, 1976.

30 Gresham Street, London EC2P 2EB. 29th March, 1976

COMPANY NOTICES

NOTICE TO HOLDERS OF BEARER DEPOSITARY RECEIPTS
Issued in respect of shares of
TORAY INDUSTRIES INC.

S. G. WARBURG & Co. LTD., as Depositary, hereby gives notice that the Board of Directors at a Meeting held on 25th February, 1976, resolved to increase the share capital by a free capitalisation issue, as of 31st March, 1976.

The shares will be allotted to Shareholders registered on the books of the Company on 31st March, 1976, in the ratio of 0.1 new share for every 1 share already held by them. Fractions will be sold and the proceeds paid in cash to Shareholders in proportion to their entitlement.

The new shares issued by way of this bonus issue will be entitled to any dividend that may be declared for the 6 months period ending 30th September, 1976.

Holders of Bearer Depositary Receipts may now present Coupon No. 26 at the offices of the Depositary.

Depositary:—
S. G. WARBURG & CO. LTD.,
Coupon Department,
St. Albans House,
Goldsmith Street,
London EC2P 2DL,
or at the offices of Banque Internationale a Luxembourg, 2, Boulevard Royal, Luxembourg, from whom application forms can be obtained.

Temporary receipts will be issued for exchange into new Bearer Depositary Receipts in June 1976.

S. G. WARBURG & CO. LTD.
as Depositary.
29th March, 1976.

WESTERN MINING CORPORATION LIMITED
9¼% NOTES 1982
Redemption of US$750,000 of the Notes

NOTICE IS HEREBY GIVEN that pursuant to Condition 4 (e) of the Notes, a drawing was carried out on 26th March, 1976, as a result of which, the undermentioned Notes were drawn for redemption and will be repayable at par on 1st May, 1976, from which date all interest thereon will cease:—

Notes whose numbers end with the figures 26-30 inclusive

The abovementioned Notes with coupon No. 2 and subsequent coupons attached, may be lodged for repayment on or after 1st May, 1976 at the offices of J. Henry Schroder Wagg & Co. Limited Coupon Department, 120 Cheapside, London, EC2V 6DS between the hours of ten and two o'clock, or at the offices of Schroder Trust Company, One State Street, New York, NY 10015, U.S.A., Societe Generale De Banque S.A., rue Royale, 20, 1000-Brussels, Banque Generale Du Luxembourg S.A., 14 rue Aldringer, Luxembourg, Swiss Bank Corporation, Paradeplatz 6, CH-8022 Zurich.

London, 29th March, 1976.

THE PRUDENTIAL ASSURANCE COMPANY LIMITED

NOTICE IS HEREBY GIVEN that the Transfer Books and Register of Members of the above Company will be CLOSED from the 30 April 1976 to 10 May 1976 (both dates inclusive).

By Order of the Board of Directors.
R. E. ARTUS
P. E. MOODY.
Joint Secretaries.

25 March 1976.
142 Holborn Bars,
London EC1N 2NH.

DAVIES & METCALFE LIMITED

NOTICE IS HEREBY GIVEN that the Transfer Books of the Company will be closed from 5th April to 10th April 1976 inclusive of both dates.

BY ORDER OF THE BOARD.
R. ALLEN.
Secretary.

Injector Works,
Romiley,
Cheshire.

WEEK'S FINANCIAL DIARY

The following is a record of the principal business and financial engagements during the week. The Board meetings are mainly for the purpose of considering dividends and official indications are not available whether dividends concerned are interims or finals. The sub-division shown below is based mainly on last year's timetable.

TO-DAY

COMPANY MEETINGS—
Drayton Commercial Investment, 117, Old Broad Street, E.C., 2.30
Drayton Premier Investment Trust, 117, Old Broad Street, E.C., 12
Lancashire and London Investment Trust, Winchester House, E.C., 12
Leda Investment Trust, 64, Coleman Street, E.C., 11.15
Westinghouse Brake and Signal, Connaught Rooms, W.C., 11.30

BOARD MEETINGS—
Finals:
Cases (E. C.)
Fisher (James)
Gibbs and Dandy
Rotaflex (Great Britain)
Shannon (J.)
York Trailer
Interims:
Barratt Devs.
Burgess Products

DIVIDEND & INTEREST PAYMENTS—
[illegible]

Courts (Furnishers) 7pcPf. 2.45pc
Courtaulds Dbs. 3½ and 3¾pc. Ln. 3¾pc
Cox (N.) (Plant Hire) Ln. 4½pc
Crane Fruehauf Trailers Db. 3¼pc
Crane's Screw 5.6pcPf. 2.8pc
Crittall-Hope Engng. Ln. 5pc
Croda Food Ingredients Db. 3½pc
Crown House 7½pcPf. 2.625pc
Cumbernauld 11¼pcBds. Red. 31/3/76 £5.7791
Cynon Valley 11¼pcBds. Red. 31/3/76 £5.7791
[illegible]
Great Portland Estates Db. [illegible]
Great Universal Stores Ord. 2.9375p. Ln. 3¾pc
Greater London 11¼pcBds. Red. £5.7791
Greenhaven Secs. Dbs. 3 and 3½pc

Continued on next page

CONSUMER CONFIDENCE SURVEY

Recovery sustained in March

BY ELINOR GOODMAN, CONSUMER AFFAIRS CORRESPONDENT

THE RECOVERY in consumer confidence, which first emerged at the beginning of this year, was sustained in March, according to the British Market Research Bureau's survey of financial expectations.

Measured on a six-month moving average basis, consumer confidence now stands at its highest spring level since the survey was started in 1970.

Against this brighter outlook about the future, however, there are signs that an increasing number of professional men now feel their incomes are not keeping pace with inflation while the proportion of people thinking now is a good time to buy consumer durables again fell from its very high January level.

Half and half

The feeling of optimism was slightly stronger among ABC1 men than all adults, though the professional men were less confident about their future this month than they were in February when the optimists outweighed pessimists by 19 per cent. among the ABC1 men interviewed.

This month there was a positive balance of only 2 per cent. among ABC1 men. The figure for all adults, however, showed another improvement in March with half the respondents feeling confidence about the future and the other half still expecting things to get worse.

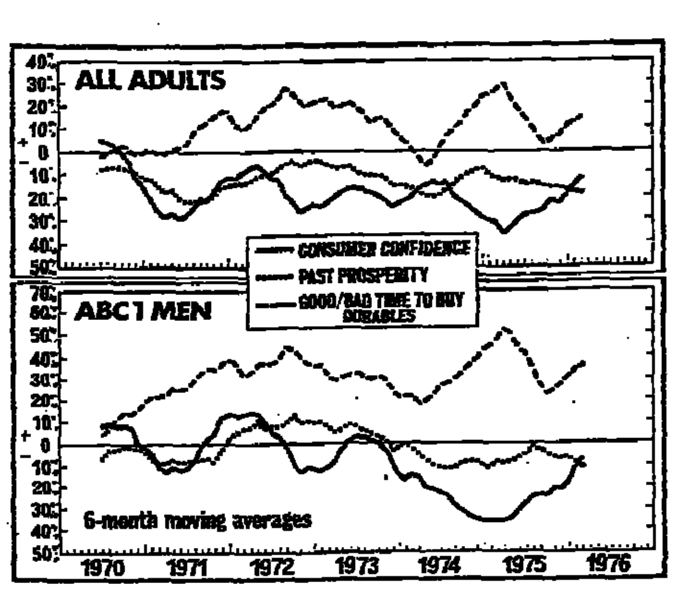
This compares with a situation in March of last year when those expecting things to get worse outweighed the optimists by 32 per cent. In December, the pessimists were still outweighing the optimists among all adults by 22 per cent., but in January confidence began to recover with only 5 per cent. more pessimists interviewed than optimists.

As a result of this sustained recovery in future confidence, the six month moving average figure for all adults has improved from −32 per cent. in March of last year to −12.2 per cent. this month. The six month Index for ABC1 men has shown a similar improvement and now stands at −7.8 per cent. as against −35.7 per cent. in March 1975.

The main reason for feeling confident was the belief that "things can't get worse," though 13 per cent. of the optimists gave credit to the Government while 14 per cent. thought that inflation was being brought under control. The major cause for pessimism was again "rising prices" with strikes mentioned by only 14 per cent. of the respondents—one of the lowest figures yet recorded.

During 1975, the ABC1 men—who include a relatively high proportion of civil servants—have been feeling noticeably less badly hit by inflation than the C2DEs who, as manual workers, are more vulnerable to short-time working and unemployment.

But since January, when many ABC1 men received incremental salary scales, the gap between them and all adults has been narrowing. In March, those feeling worse off compared with a year ago outweighed those feeling better off among all adults by 18 per cent., while among ABC1 men, 17 per cent. more of those interviewed felt worse off now compared with a year ago than those who felt their incomes had kept pace with inflation.



The decline in the proportion of people thinking it was a good time to buy was not surprising in view of the exceptionally successful January clearance sales this year. Among all adults 17 per cent. more people thought it was a good time to buy consumer durables than those who did not, while among ABC1 men there was a positive balance of 29 per cent. in favour of buying now.

The six-month moving average figure for "Time to Buy" showed another improvement in March to plus 15 per cent. for all adults and plus 35 per cent. for ABC1 men.

The survey was produced for the Financial Times by BMRB and was based on interviews with 1,035 adults carried out between February 26 and March 3.

FT GROCERY INDEX

Fruit, vegetables and eggs add 2.3%

BY DONALD MACLEAN

THE FINANCIAL TIMES Grocery Index continued to rise in March at a slower pace than in many other recent months, though increasing more sharply than in February, when the smallest gain since October was recorded.

The index increased 4.79 points to 216.60, or by 2.3 per cent., with the increase again largely the result of rising fruit and vegetable prices—higher potato prices continuing to figure prominently, and tomato prices going up sharply.

Other major increases occurred in dairy produce, with eggs up 2p or so a dozen in some cases, and in the sugar to drinks group, as well as in the bread to cakes category.

Two out of the ten broad classes showed falls in the cost of items included—the canned goods and non-food groups.

The period covered in the latest figures is the five weeks to last Tuesday—broadly the first five weeks of the Government's selective price restraint scheme, which opened on February 16 under the Price Check title.

Fresh foods such as fruit and vegetables, which largely account for the recent rises in the Financial Times grocery prices index, are not included in the price restraint scheme, but under a parallel scheme. Retailers dealing in fresh foods, which it was decided could not be brought within the price check system because of seasonal factors, have agreed to restrict profits margins on one item in each of four categories: red meat; protein food (which could additionally be red meat); fruit and vegetables.

The price check scheme, under which, in the absence of unforeseen circumstances, prices will be held within a 5 per cent. limit of increase over a six-month period, include such items as standard loaves, liquid milk, frozen peas, sweets, various biscuits, granulated sugar and cornflakes, as well as some other items in the Financial Times shopping basket.

Dominating

In the six months since the FT Grocery Prices Index fell to a four month low of 186.64 last September, it has gained 29.96 points, or 16.1 per cent., with the fruit and vegetable category, in which potatoes and tomatoes play a dominating role, having shown an increase in aggregate prices of 55.7 per cent. to a position at which it accounts for 18.7 per cent. of the overall FT shopping basket, against 13.8 per cent.

In spite of the price check scheme, housewives now face the prospect of a 1p increase in the price of a large loaf of bread from next Monday, and the working through to the shops of the recent decline in the value of sterling in the foreign exchange market.

On the other hand, there have been suggestions from the potato trade that potato prices may steady, after their recent uptrend, even if they are unlikely to fall back appreciably.

In the meat category, which is the largest of the ten groupings in the FT shopping basket, there was little overall change last month, the cost of the items rising 53p to £144.96.

FINANCIAL TIMES SHOPPING BASKET

	Mar., 1976 £	Feb., 1976 £
Dairy Produce	108.42	106.45
Sugar, Tea, Coffee, Soft Drinks	49.19	47.99
Bread, Flour, Cereals	66.54	65.41
Preserves and Dry Groceries	22.36	21.81
Sauces and Pickles	11.85	11.81
Canned goods	38.20	38.33
Frozen foods	33.06	33.04
Meat, Bacon, etc. (fresh)	144.97	144.44
Fruit and Vegetables	119.58	110.09
Non-Foods	45.96	46.16
Total	640.15	626.03

INDEX
1971: Feb. 100; Mar. 101.09; April 102.73; May 105.75; June 108.08; July 107.24; Aug. 105.40; Sept. 105.26; Oct. 104.35; Nov. 105.48; Dec. 108.26.
1972: Jan. 109.18; Feb. 109.10; Mar. 109.24; April 108.04; May 109.36; June 115.97; July 111.97; Aug. 113.40; Sept. 112.14; Oct. 113.15; Nov. 11: 114.48; Nov. 18: 114.49; Nov. 25: 114.72; Dec. 2: 114.72; Dec. 9: 114.75; Dec. 16: 115.77.
1973: Jan. 117.56; Feb. 119.25; Mar. 120.53; April 123.80; May 125.57; June 128.81; July 127.64; Aug. 126.59; Sept. 129.39; Oct. 138.83; Nov. 135.83; Dec. 138.26.
1974: Jan. 141.41; Feb. 141.52; Mar. 142.66; April 8: 143.23; April 29: 142.64; May 145.17; June 147.97; July 146.22; Aug. 145.25; Sept. 147.6; Oct. 150.5; Nov. 156.39; Dec. 159.15.
1975: Jan. 162.84; Feb. 167.77; Mar. 173.50; April 178.39; May 183.41; June 193.02; July 188.45; Aug. 189.23; Sept. 186.64; Oct. 189.79; Nov. 194.78; Dec. 201.90.
1976: Jan. 208.33; Feb. 211.81; Mar. 216.60.

The index is based on the prices paid by 11 shoppers around the country. The shopping was done in supermarkets and independent grocers.

Gresham Tst. Lns. 3¼, 3¾ and 4pc
Grovebell 3pcPf. 2.925pc
Guard Bridge Paper Db. 3½pc
Guardian Royal Exchange Assurance 7pc Pf. 2.45p
Guildhall Prop. 0.5025p
Gunn (A.) Ln. 5¼pc
Gypsum Industs. Ln. 94-97 4½pc
Hall-Thermotank 7pcPf. 2.45pc
Halton 11¼pcBds. Red. 31/3/76 £5.7791
Hambros Ln. 3½pc
Hampson Industs. 7½pcPf. 2.625pc
Hampton Tst. Ln. 2pc
Hanger Paints Assoc. 5½pcPf. 1.925pc
Hargreaves Db. 5¼pc
Harveys of Bristol Db. 3½pc
Haslemere Ests. Db. 5½pc. Ln. 2½pc. Ln. £4.41
Hawick 11¼pcBds. Red. 31/3/76 £5.7791
Hazell (Quinton) Lns. 3½ and 3½pc
[illegible]

Pye of Cambridge 5½pcPf. 1.925pc
R.C.F. 7pcPf. 2.45pc
R.F.D. Db. 3½pc
Racal Electronics Ln. 3pc
Radio Rentals Ln. 3½pc
Ranks Hovis McDougall Ln. 3⅞pc
Readicut Intnl. 5½pcPf. 2.0125pc. 6pc Pf. 2.1pc. Ln. 4¼pc
Redfearn National Glass 7pcCum. and 2ndCum.Pf. 2.45pc
Rediffusion Dbs. 2¼, 3 and 3pc (2nd iss.)
Reed and Smith Db. 3½pc
Reed International Dbs. 2¼, 3, 3½ (87-92), 3¼ (78-83), 3¼ (83-88) and 3¼pc (87-92). Lns. 3½ and 3¼pc (96-2001)
Reeves (F. J.) Ln. 3⅞pc
Renold Db. 3½pc
Reunion Props. Db. 4¼pc
Reyrolle Parsons Ln. 3⅞pc
Richards Db. 3½pc
[illegible]

Ruberoid
Scotts Restaurant
Warne, Wright and Rowland
Interims:
Aurora
Kent (M. P.)
Linread
Mitchell Cotts
Second Broadmount Tst.
Startrite Engng.
DIVIDEND & INTEREST PAYMENTS—
A.A.H. 6pcPf. 2.1pc
Albright and Wilson Db. 3pc
Alexanders Discount 8.168p. 6pcPf. 4.2p
Allen Harvey and Ross 4pcPf. 1.4p
Allied Brews. Dbs. 1½, 1¾, 2¼ (78-84), 2½ (75-80), 2¾, 2¾, 3, 3¼ (87-92), 3¼ (84-89), 3¾ and 3⅝pc. Lns. 2¾, 2⅞, 3¼, 3¼ and 3⅞pc
American Tst. Db. 3¼pc (87-92)
[illegible]

Lyons (J.) 7pc2ndPf. 2.275pc. 8pc3rd Pf. 2.6pc
McCorquodale Dbs. 1¾ and 4pc
Magnet Joinery 2.98074p
Mallinson (Wm.) and Denny Mott 4.2pc Pf. 2.1pc. 16.8pc Pf. 8.4pc
Mansfield Brewery Ln. 3⅞pc
Meakers Ln. 4½pc
Menzies (John) 6pc Pf. 1.95pc
Metal Box 7pc Pf. 5.3p
Metropolitan Tst. Pf. 1.575pc. 5pcPf. 1.75pc. Db. 1¾pc
Metropolitan Water 3pc (A) Stk. 1½pc. Lambeth 5pc Db. Stk. 1½pc. London Bridge Anns. of £2.50 (£1.25) £1.25
Minas Gerais Electric Light and Tramways 5pc 1st Mtg.Bds. (Plan A—Int. now 1¾pc) 0.875pc
Minster Assets 5pc Pf. 1.75p
Mitchell Cotts Ln. 6½pc
[illegible]

Pullman (R. J.) 7pc Pf. 2.275pc
Ransome Hoffmann Pollard 7pc Pf. 2.45pc
Ransomes Rapier Db. 3pc (1980-85)
Reading 3½pc 1¾pc
Record Ridgway 1.6625p
Redemption Stk. 3pc 1½pc
Rediffusion 4pc Pf. 1.4pc
Redland Dbs. 3pc (1980-85) and 3pc (1988-93)
Redman Heenan Int. 1p
Reed Int. Db. 1¾pc
Renolds (W. J.) 5.25pc Pf. 2.625pc
Rep. New York Cpn. 22cts.
Rickmansworth and Uxbridge Valley Water 2.8pc (fmly. 4pc) Cons.Pf.Stk. 1.4pc. 4.025pc (fmly. 5¾pc) Red.Pf.Stk. 1982-83 2.0125pc. 4.55pc (fmly. 6½pc) Red.Pf. Stk. 1980-81 2.275pc. 6.65pc (fmly. 9½pc) Red.Pf.Stk. 1977 3.325pc. 7pc Red.Pf.Stk. 1978 3.5pc Red.Pf.Stk. 1980
[illegible]

Symonds Eng. 7½pc Pf. 2.625pc
Tace 40pc Pf. 14pc
Tavener Rutledge 2.396875p
Tebbitt Ln. 3¼pc
Thames House Est. Db. 1¾pc
Thamesdown 11¼pc Bds. 6/10/76 5⅝pc
Thermal Syndicate 1.513p
Thwaites (Daniel) 5pc Pf. 1.625pc
Tolemache Cobbold Brews. 2.735p
Tomkins (F. H.) 0.2875p
Treasury Stk. 2½pc on or after 1/4/75 1¼pc
Trident Tele A N.V. 1.468p
Trust Union 4½pcPf. 1.575p
Trustees Corp. Deb. 1½, 3¼pc
Tube Inv. Ln. 2¾pc
Ultra Electronic Ln. 3¼pc
Unigate 1.1p
Unilever Dbs. 2, 3¼pc
[illegible]

Clifford (Charles) Inds.
Early (Charles) and Marriott (Witney)
[illegible]
Interims:
London Scottish Finance
DIVIDEND & INTEREST PAYMENTS—
A.C. Cars 0.6p
Albion 1.26p
Allen (W. G.) (Tipton) 0.887p
Allied Insulators 1.41p
Allied Textile 3.222563p
Anglo-Intnl. Inv. Tst. 1.9p
[illegible]

Lynton 1p
MacPherson (Donald) 1.365p
[illegible] Paper Mills 0.4p
Malaysia Rubber 0.1787p
Mann and Overton 2.17p
Marchwiel 1.65p
Martin (R.P.) 2.5p
Matthews Hldgs. 1.3732p
Meggitt 0.15925p
Midland Bank 7.27802p
Midland Inds. 0.39815p
Minty Furniture 1p
Morgan Edwards 1.08p
Morrall (Abel) 1.5p
Morris (Herbert) 4.5p
New Equipment 0.5525p
Nigerian Electricity Supply Corp. 5.2p
[illegible]

[illegible]

SATURDAY, APRIL 3
DIVIDEND & INTEREST PAYMENTS—
[illegible]
West of England Tst. 0.55p

The Technical Page

EDITED BY ARTHUR BENNETT AND TED SCHOETERS

RADIO & TV

A day's viewing held on discs

HIGH DENSITY video recording by a method which combines laser and optical technologies will make it possible to store as many as 50,000 TV pictures on a single 12-inch disc. This improvement in recording techniques could bring about drastic changes in studio operations, according to RCA.

Still in the development stage, the method and equipment can store a single frame of TV information on three thousandths of a square inch, which represents an improvement in packing density of about 300 times compared with current techniques.

Stored pictures can be accessed and displayed in a random search mode in a fraction of a second. Meanwhile, the equipment can also be used to record motion from film, videotape or live sources.

Ultimately, it is thought that a TV station could broadcast programmes from recordings on such discs, to cover the whole day's operations.

Recording and reply are by medium-powered laser. The first affects a thin coating applied to the disc surface and as the beam is electro-optically modulated in accordance with the picture scan, the impression left in the recording medium is a copy of the signal.

In the replay mode, the laser beam reads the fine trace and the reflected and modulated signal is picked up and turned back into a picture.

Precise location of the desired track is by an electronic servo system.

The new development is completely distinct from the home entertainment video disc system developed by RCA.

Further information from RCA International, RCA House, Curzon Street, London W1Y 8EU. (01-499 4100.)

On the disc at right a band only one inch deep can store some 10,000 TV pictures. A dedicated small computer controls the high speed retrieval of the pictures.

ELECTRONICS

Provides a complex sequence

A FUNCTIONALLY versatile yet easily operated sequence controller has been introduced by Tempatron which can bridge the gap between multiple timer networks (cheap, but hard to set up) and micro computer based systems (flexible, but expensive).

This programmable sequence controller (PSC) uses a 20 step by 10 drive pin diode matrix mounted on the front panel: up to ten outputs are controlled, each having 20 equal time steps. When a pin is inserted into the matrix board it sets the unit to operate the relevant output for one time interval.

Three basic modules allow variation and expansion: a control unit determining cycle time and step length with a 20 by 10 board, switching unit and ten-output drive; an extension module consisting of a further 20 by 10 board and ten-output drive unit; and a step extension module which is a single 20 by 10 board so that the number of steps per cycle can be increased by ten. Also available is a unit that allows for feed-back signals to restrain certain outputs until a particular event has taken place elsewhere. Tempatron is at 5 Loverock Road, Reading (0734 583033).

COMPUTERS

Awarded Defence approval

FOLLOWING a recent assessment by the Ministry of Defence, Computer Technology has been registered as an approved *supplier of computer equipment* and associated services to Defence Standard 05.24.

The latter evaluates the technical competence of potential contractors before the placing of defence contracts and confirms that only companies with adequate quality assurance arrangements are invited to tender

Since the company had very little to do to get the award, the inference is that CTL has a very high degree of monitoring and control throughout its manufacturing process

Installed base in MOD establishments and the three branches exceeds £1m, largely because of the existence of the MODUS operating system on which CTL has spent a great deal of development money

The company's situation has improved out of all recognition in the past six months with bank debts wiped out and major new contracts in progress. Of peculiar significance is the CTL agreement with Motorola, embracing the engineering and other support for the latter's microprocessors recently announced.

Through it Motorola acquires a major engineering base and the support of a group of software experts. CTL acquires an introduction into one of the fastest-growing areas of computing technology.

The value of the actual microprocessor is minimal. Both sides will earn from problems solved through these units.

CTL is Eaton Road, Hemel Hempstead, Herts. 0442 3272.

Tailored to fit the bill

PHILIPS Data Systems has launched a new suite of programs for the P300 URC designed handle solicitors' accounting procedures. Like all library programs for the P300 Range, this suite is supplied free of charge.

Stored on Philips mini-cassettes, the programs have been designed and written to take care of the special requirements of solicitors' accounting—incomplete records, time-recording and disbursements—as well as conventional routines including payroll, purchases accounting and audit trail listing.

Philips at Elektra House, *Bergholt* Rd., Colchester. (0206 5115).

CONSTRUCTION

Mid. East markets to boom

MIDDLE EASTERN markets for construction equipment and materials—at £625m. in 1973, prior to the oil crisis—rose to £1,500m. last year and will reach £5,500m. in 1980, according to a study by Frost and Sullivan.

Oil revenues pour into the prime ten Middle East countries at £4m. an hour. The great oil-based "construction gold rush" is on, the study notes, with United States, European and Japanese suppliers leading the field in trying to help Middle East states spend their billions. Incredibly, revenue in the leading ones is far outrunning ability to spend, despite the efforts of would-be suppliers. Some of the overspill is going (as aid) to other Arab areas, creating a second set of markets adding to the general construction bonanza.

But the study, which identifies buyers, middlemen and distributors, also emphasises a major problem: finding who to *do business with. This is one of* the most frustrating and time-consuming experiences of all. Port congestion and overwhelming clearance facilities compound the problem.

Building materials and construction equipment comprise some of the biggest market opportunities. Some 30 per cent. will be accounted for by steel work, iron and steel pipes, tubes and fittings. Timber and related products and pre-fabricated structures will total 15 per cent. Middle East countries will require a myriad of other products—from ceramics to plaster, paint and door-handles—in their quest to build an industrial infrastructure.

Analysing and forecasting the markets in 18 Middle East countries, the three-volume, 875-page study focuses on the 10 which offer the most lucrative business opportunities: Iran, Saudi Arabia, Iraq, Kuwait, Bahrain, Qatar, United Arab Republic, Oman and the Yemens. This territory (bigger than India) covers nearly 2m. square miles and has a population of only 58m.

"Distribution in most of the Middle East countries is still in an infant stage," the study says, and the shortage of ready-made effective agents has frustrated many enthusiastic would-be exporters. The few agents who are effective are overrun with offers from well-known international sources.

It is imperative for a supplier to know the operations and pitfalls of the various distribution channels in Middle East markets, the study asserts. In Saudi Arabia and Iran, for example, a supplier can use international contractors; in Egypt, Syria and Iraq he needs to trade through State-operated *import agencies. In all* countries it is "risky and questionable" to sell through local distributors and dealers because of the limited quality of many.

One form of distribution is "becoming increasingly attractive," the study points out: joint venture between foreign supplier and local business for assembly or manufacture.

Another pitfall that awaits newcomers to the Middle East is the vital need to modify machinery, equipment and materials to meet the region's intolerably hot, humid and other peculiar climatic conditions. Unique problems in construction work include desert terrain and primitive conditions; equipment must take them very much into account. Filtration and cooling systems must be "double designed" to overcome high levels of dust and temperature.

More from BAS Industrial Consultants, Mill Ash, Radlett, Herts. Radlett 6376.

COMMUNICATION

Finds cable faults

TELEPHONE LINES and coaxial cables can be tested for discontinuity and impedance irregularities using a pulse echo test set introduced by Hunting Hivolt, Old Shoreham Road, Shoreham by Sea, Sussex (07917 4611).

Pulses can be generated at widths of 50, 100, or 200 nanoseconds for feeding into the free end of cable; they are reflected from the faulty location. The time between transmission and detection of the returned pulse provides the distance to the fault. The time is displayed on a built-in oscilloscope screen and the location calculated in a few seconds.

PRODUCTS

Film freed from dust or static

MODEL 541 slide cleaner from 3M removes dust and lint from slides and film negatives, and neutralises static electric charges to prevent further dust attraction and formation of "static streaks." It helps achieve the best possible image quality and cuts costs by eliminating remakes in photofinishing laboratories, slide duplication services and other photographic facilities. This model is an extension of the 3M range of film cleaners which now caters for all sizes of unmounted sheet and strip films up to 9½ in. wide.

The device consists of two curved cleaning heads which direct ionised compressed air at both sides of the slide, removing dust even from the corners of slide mounts. Actuation of a button in the lower cleaning head starts the air flow as the slide is passed between the heads, giving convenient one hand operation. The profiles of the heads and controlled air flow assure effective cleaning without any special positioning of the slide—no skill is required. The air flow is cut off again after a pre-set time, user-adjustable from one to several seconds.

3M at 380 Harrow Road, London W9 2HU. (01-286 6044).

CONFERENCES

Infrared in industrial techniques

SIRA Institute, in association with W. D. Lawson, Royal Radar Establishment, is organising a conference devoted to the non-military applications of infrared technology. It will be held at The City University, London, on March 15-16, 1977.

Development of infrared systems for military use has made available new and improved infrared components and techniques. The conference will indicate the scope which these developments offer for application in industry, civil operations, science, medicine and biology.

The first session, "Industrial Applications," to be chaired by Sir Eric Eastwood, will include such topics as moisture and temperature measurement, chemical composition analysis, non-destructive testing, inspection, dimensional gauging, safety instrumentation, welding and cutting.

SIRA, South Hill, Chislehurst, Kent. (01-467 2636.)

By agreement between the Financial Times and the BBC, information from The Technical Page is available for use by the Corporation's External Services as source material for its overseas broadcasts.

COMPONENTS

No meddling with counts

NON-RESETTABLE mechanical counters introduced by English Numbering Machines are completely encased and have a non-removable glass window so that any kind of interference with the count is prevented.

Made from stainless steel and plastic they are resistant to most solvents and aggressive atmospheres.

They are available in versions which add one count per revolution, add or subtract 10 counts/rev, put on 10 counts for a forward revolution but nothing in reverse, or add one count for a small angular movement of the shaft which is then returned by spring action.

Display is five easily-read black digits on a white background and the counters, which are designated 4225, can have a 3mm. or ⅛in. drive shaft fitted at either end. Applications will be in franking, copying, vending, amusement and gaming machines, cash registers meters and timers. More from Queensway, Enfield, Middlesex EN3 4SB (01-804 8121).

PROCESSES

Etches one board only

MAKING suitable arrangements for etching just one or two printed circuit boards in the small development laboratory can be a problem in terms of both storing and using difficult chemicals.

In a system introduced by *Decon Laboratories* the whole process takes place in heavy duty polythene bag with removable water-tight seals that clamp on to transverse folds made in the bag. To begin, a clamp is fixed well down the bag, isolating the acid from the remainder, in which the board is placed; the top is sealed with the other clamp, and the first one removed.

After etching the liquid can again be isolated in the bottom section while the top is rinsed along with the board.

The sealed bag is stored in a heavy duty styrene foam safety box until needed again. Sufficient solution is supplied to etch up to eight boards measuring 200 x 100 mm.

When the solution is exhausted a bag of neutralising powder is tipped into it producing a semi-hard harmless compound suitable for dustbin disposal. More from Ellen Street, Portslade, Brighton, Sussex BN4 1EQ (0273 414371).

SAFETY & SECURITY

Submarine sends TV pictures

ONE OF the most advanced robot submarines arrives in Britain on April 2 to start work on oil installations in the North Sea. A joint British/Canadian venture, the *TROV* submarine will operate at depths of up to 1,200 feet, from a mother vessel, sending back closed circuit television pictures to the surface and locating blocked or damaged sections of pipeline. By replacing divers in hazardous surface operations it will reduce risk.

TROV will be operated from a base in Peterhead, Aberdeenshire by a new company, ULS Marine, which specialises in survey and inspection services for the offshore oil industry. Its parent Company, Underground Location Services, has been involved in the development of pipeline inspection and survey instrumentation for several years and has applied its experience in equipping the submarine for commercial undersea work.

After sea trials in early April the submarine is planned to begin inspection of a new crude oil pipeline from one of the major North Sea oil fields.

ULS Marine intends to put a second TROV into service early in July. As well as pipeline duties the company will be offering the vessel for use in docks, harbours, inland waters and marine salvage operations.

Underground Location Services, Bristol Road, Stonehouse, Glos. GL10 3RA. Stonehouse (045 382) 4181-5.

Safety load and unload devices

COMPLYING WITH the requirements of the Health and Safety at Work Act, a range of automatic bar feed and discharge units for use with bar reeling and bar straightening machines has been developed by Buckley Myers and Taylor, Duchess Street, Shaw, Oldham, Lancs. (07068 45048).

Constructed of steel, with facilities for lateral adjustment during installation, the trough of the feed unit is lined to reduce noise, and bar is moved down it by pneumatically operated pusher. During operation the feed unit is fully enclosed—the trough lid is opened pneumatically from the control console. For automatic loading of bars, the feed unit can be supplied with an indexing table.

The discharge unit is also fully enclosed and is interlocked with the feeder. It can be fitted with a stillage for crane off-loading.

The units will handle from ½ to 4-inch diameter and from 6 to 25 feet long.

CONTRACTS AND TENDERS

Building and Civil Engineering

£22m. for two large new hospitals

NORTH WALES and northern England both will benefit from major new hospital schemes under awards to Kyle Stewart and Shepherd Construction.

Welsh Health Technical Services Organisation is putting out a £13m. district general hospital at Penrhosgarnedd, near Bangor. Kyle Stewart will be erecting this large unit on a four-storey reinforced concrete frame, having brick and pre-cast concrete cladding. There also will be a separate steel-framed boiler house and a number of associated works and buildings. The main hospital building will cover an area of 37,000 square metres. The complex has been designed by the Hospital Design Consortium of Cardiff and it is to be completed in four years.

The contract to Shepherd is worth £9.1m. It will cover phase 1 of a 360-bed general hospital at Middlesbrough for South Cleveland.

In this instance, the building will be of low-rise construction the only three-storey section being the 9,828 square metre floor area ward block. External walls are in facing bricks.

Apart from the ward block, there will be six operating theatres, an artificial kidney unit, radio therapy, X-ray, out-patients and pathology units, among others, plus restaurant, kitchens and other supporting services.

Phase 1 covers the necessary roads, paths, parking, landscaping and drainage and the total contract time is four years.

Shepherd is also working on a £7m. hospital at York.

Meanwhile, Stonors Timber Buildings is to put up a £20,000 post-graduate medical centre at Cuckfield Hospital in mid-Sussex.

£3m. awards to Reed & Mallik

OVER £3m. worth of contracts have been awarded to Reed and Mallik.

Largest, worth over £1.3m. is for a bridge on the A171 at Whitby for North Yorkshire County Council. Other awards are for work on bridges for British Rail, a reservoir for Ayrshire and Bute Water Board and for a concrete paved area at Southampton Docks.

Laing wins £5m. homes contract

HOMES for more than 1,400 people are to be built in Borehamwood, Herts., on the former Home of Rest for Horses site near Stirling Corner.

The Greater London Council has awarded John Laing Construction a £5.3m. contract to build 395 homes, including some for 192 elderly people, at Furzehill Road.

Work on the houses and flats has started and the homes will be in 45 groups scattered over a 28-acre site which includes 6.7 acres of open space and play areas. Other amenities include two shops, old people's clubroom, and a site has been allocated for a primary school, yet to be built.

Architects are Max Lock Easton Perlston and King of London.

Cement mill orders grow

POLYSIUS, of Ascot, member of the German-controlled group of companies of the same name, has £40m. worth of contracts on its hands for the supply of cement plant equipment to a number of UK centres but also to Nigeria, Taiwan, South Korea, Yugoslavia, Southern Ireland Ireland and Kenya.

In the pipeline are a further £9m. worth of contracts on which arrangements still have to be finalised. *This implies that in* the three years 1974-75-76, the company will have averaged about £20m. worth of business annually despite the adverse economic conditions in certain areas.

The parent company, Polysius AG Neubeckum, has with its six overseas affiliates orders on hand amounting to DM1.5bn. This *follows a ten per cent. increase* in 1975 during which period the European market declined sharply from an average of 50 per cent. of total orders placed with the company over the past ten years to a mere 12 per cent.

Outside Europe, however, business was so brisk as to more than offset this decline, especially as the developing countries generally require turnkey contracting for complete plants.

Orders for 1975 totalled about DM1bn. with turnover up to 555m. from 376m. a year earlier. This figure will continue to grow because of the large number of orders secured over the past three years.

Tarmac in Holland

IN A joint venture in Holland with the Dutch company H.B.M., Tarmac Construction has started a £½m. contract at Zoeterwoude for Ingersoll-Rand.

Involved is the construction of an office, workshop and warehouse facility with roads and car park. A standard steel frame with pressed metal cladding and dado height wall will be provided with the option later for the addition of a second storey.

McLean Investments, a Tarmac Group company, is to develop a 70-acre site at Tamworth, Staffs, for warehousing and light and general industry.

Work has already started on the construction of roads and services and it is intended to offer sites from ½ to 13 acres for sale freehold, to design and build units for lease or sale and construct small units for rent.

Closer links overseas sought

BRITAIN'S demolition contractors have decided it is time they had closer links with their opposite numbers overseas.

Dr. V. Powell-Smith, national secretary, National Federation of Demolition Contractors told the Financial Times that the first moves were made at a recent meeting in The Hague with Dutch and German contractors when it was decided to set up a European association.

First problems for joint study will be safety, training, legislation and technological developments.

£1m. British Rail depot

WESTERN Region of British Rail has awarded a contract to E. Thomas, a member of the Mowlem Group, for the construction of a locomotive and carriage depot at Penzance, Cornwall.

The depot will cater for air-conditioned coaches soon to be used on the London to West of England Inter-City services and, eventually, high-speed trains planned for introduction on the route in the 1980s.

The contract worth £1m. comprises a 750-feet-long steel portal frame shed with protective metal corrugated sheeting and roller-shutter doors, new stabling facilities and ancillary buildings including a boiler house, staff amenity block, workshop and first-aid room.

Protection for workers at heights

ALTOCHUTE mobile safety anchor has received approval from the British Standards Institute under BS 5062:1973.

This is an independent and automatic safety lock for use with a 16 mm dia nylon safety rope. The operator—whose safety harness is linked to the Altochute by a one-metre length of nylon rope—may move around quite freely, and the Altochute will slide freely on the safety rope, but it will lock securely on to the safety rope at the first sign of sudden downward movement.

Further information from Martindale Protection, Neasden Lane, London, NW10 1RN. (01-450 8561.)

Tyneside Metro interchange

A CONTRACT valued at £1½m. has been awarded by the Tyne and Wear Passenger Transport Executive, to Holst and Co.

The contract is for the Regent Centre Interchange at Gosforth and forms part of the new Tyneside Metro system. The interchange is the major station on the proposed Kenton line and is *located to intercept existing bus* and car traffic approaching Newcastle from the north as well as serving the local areas of housing and the adjacent office complex.

The contract includes the construction of a 2,500 square metre suspended concourse, 5.4 metres above platform level, and a four level car park, each deck being approximately 1,000 square metres.

Holst will also be responsible for bridgeworks, rail platforms, service diversions and access roads for bus and car traffic.

Consulting engineers are Mason, Pittendrigh and Partners and the architects are Ainsworth Spark Associates. Work is scheduled to start in April.

£1.7m. job for Willett

WILLETT has been awarded a contract worth about £1.7m. to construct 98 houses and 77 flats at Coachman's Drive, Broadfield, Crawley, Sussex for the London and Quadrant Housing Trust.

Work is to start in April and the contract period is 104 weeks. Both houses and flats will be centrally heated.

Architects are Hughes, Lomax and Adutt and the quantity surveyors are Appleyard and Partners.

£5.8m. City office block

TO-DAY THE building division of Willment Bros. is due to start a major contract worth £5.8m. for the insurance broker J. H. Minet and Co.

Although Willment has carried out civil engineering, demolition and deep excavation contracts in the City of London for some 60 years, this is its first major building contract in the City area.

Yarmouth approval awaited

APPROVAL is awaited from the Department of Health and Social Services for the construction of a 248 bed district general hospital to serve the Great Yarmouth area of the East Anglian Regional Health Authority's territory. Site work should begin in October with a *start on building in 1977.*

This scheme is only a start as it is anticipated that the hospital will eventually be extended to 800 beds.

An all-electric ward block for geriatric patients at Peterborough and a £1m. contribution towards new facilities at Addenbrooks Hospital are the other two in three schemes approved by East Anglian Regional Health Authority for 1976/77.

Capital allocation for the period is £10.6m. and of this £6.9m. is to be taken up in the existing main programme. The *Peterborough geriatric development* is scheduled to cost £2.3m.

IN BRIEF

● A supermarket for The Norwest Co-operative Society is to be built at a cost of £210,000 by Bovis Construction in Princes Street, Knutsford, Cheshire.

NOTICE OF DRAW AND REDEMPTION

gruppo stet

SOCIETE FINANCIERE POUR LES TELECOMMUNICATIONS ET L'ELECTRONIQUE (So.F.T.E.)

SOCIETE ANONYME—LUXEMBOURG

U.S.$ DEBENTURE LOAN WITH A COUPON OF 7.75%—1970/1985

(Guaranteed by STET)

So.F.T.E. having already acquired under the Terms of the Loan, 1,650 bonds of a face value of $1.000 each on the market, of the sixth redemption instalment due on May 1, 1976, Banco di Roma, in its capacity as Paying Agent has drawn lots on the issuer's behalf in accordance with *the Sinking Fund Scheme for the remaining 1,650 bonds necessary to cover the entire redemption* instalment.

The draw was on March 5, 1976 in the presence of a Solicitor and representatives from the Issuing Company and the Guarantor.

BONDS DRAWN FOR REDEMPTION MAY 1, 1976

83	90	183	227	257	273	279	295	311	379	411	432	466	489
496	536	638	640	646	654	659	672	723	748	790	820	828	832
865	898	932	951	954	957	967	971	1013	1107	1117	1134	1213	1225
1297	1298	1315	1360	1412	1413	1453	1487	1502	1547	1552	1556	1575	1617
1723	1783	1788	1832	1965	1983	2006	2014	2025	2125	2180	2190	2224	2234
2239	2256	2274	2298	2312	2318	2325	2326	2330	2334	2361	2388	2417	2427
2483	2528	2538	2614	2632	2662	2681	2732	2735	2765	2770	2777	2841	2904
2938	2945	2952	3035	3045	3059	3071	3106	3113	3161	3165	3169	3195	3230
3258	3270	3281	3303	3322	3342	3372	3394	3415	3430	3431	3432	3434	3455
3468	3469	3472	3488	3503	3535	3541	3567	3571	3630	3649	3667	3673	3682
3692	3699	3755	3792	3837	3842	3901	3914	3920	3943	3946	3966	3991	3993
4032	4098	4150	4153	4155	4165	4223	4228	4234	4247	4262	4271	4286	4296
4297	4313	4363	4411	4420	4421	4422	4423	4451	4499	4500	4517	4554	4565
4630	4667	4675	4689	4724	4736	4738	4742	4751	4756	4771	4804	4835	4871
4965	4976	5031	5032	5034	5048	5083	5087	5091	5105	5106	5137	5158	5164
5183	5184	5192	5235	5276	5285	5308	5369	5405	5468	5549	5560	5565	5635
5684	5715	5718	5733	5796	5814	5869	5916	5942	5961	5972	6011	6023	6043
6067	6084	6105	6117	6146	6313	6326	6465	6471	6485	6490	6524	6613	6618
6677	6741	6746	6795	6843	6849	6864	6935	6959	6966	6986	7006	7011	7027
7033	7040	7044	7046	7050	7052	7084	7130	7138	7141	7182	7278	7294	7302
7326	7363	7424	7432	7444	7493	7515	7537	7671	7695	7720	7731	7755	7761
7792	7818	7823	7827	7833	7881	7885	7892	7919	7922	7976	7992	8514	8561
8565	8606	8618	8632	8635	8675	8726	8785	8804	8833	8853	8905	8928	8935
8957	8962	8976	8978	9047	9048	9111	9112	9116	9118	9136	9141	9153	9155
9169	9178	9271	9275	9280	9292	9351	9366	9381	9415	9456	9462	9510	9511
9553	9557	9569	9733	9768	9792	9817	9823	9843	9862	9946	9950	10053	10054
10046	10064	10121	10136	10138	10148	10176	10182	10284	10291	10378	10391	10427	10434
10448	10463	10464	10528	10533	10548	10555	10623	10648	10748	10765	10774	10812	10835
10858	10880	10890	10897	10925	10934	10966	10992	11012	11030	11051	11074	11076	11077
11097	11104	11118	11141	11169	11231	11443	11523	11533	11545	11563	11585	11599	11644
11648	11664	11691	11756	11778	11791	11799	11868	11873	11895	11908	11909	11912	11934
11963	11985	12007	12029	12057	12139	12169	12193	12225	12237	12272	12316	12349	12404
12413	12422	12427	12472	12476	12529	12530	12535	12559	12584	12586	12621	12631	12637
12658	12693	12769	12803	12821	12845	12904	12914	12931	12951	12964	12983	13002	13015
13033	13123	13148	13163	13177	13189	13216	13233	13235	13290	13318	13325	13329	13336
13369	13375	13415	13456	13461	13481	13509	13521	13527	13534	13535	13538	13546	13554
13597	13611	13618	13621	13759	13862	13875	13880	13913	13926	13935	13943	13968	13985
13993	14053	14067	14088	14089	14156	14175	14234	14235	14239	14279	14281	14332	14346
14359	14380	14381	14384	14387	14394	14413	14426	14475	14522	14553	14573	14609	14647
14684	14685	14703	14707	14776	14794	14829	14832	14835	14869	14873	14919	14926	14936
15003	15022	15030	15071	15075	15135	15197	15217	15231	15233	15241	15269	15287	15300
15321	15341	15357	15363	15375	15385	15439	15449	15463	15518	15527	15546	15552	15585
15619	15727	15736	15847	15851	15859	15876	15898	15899	15964	16018	16139	16166	16196
16245	16276	16284	16285	16369	16387	16519	16617	16621	16626	16664	16678	16831	16849
16852	16884	16927	16942	17003	17004	17032	17040	17069	17080	17105	17106	17219	17256
17299	17325	17329	17336	17362	17366	17434	17485	17495	17514	17577	17617	17623	17625
17637	17642	17644	17648	17789	17812	17833	17854	17870	17909	17943	17946	17958	17985
17978	18021	18119	18210	18215	18265	18299	18338	18345	18389	18525	18536	18550	18552
18579	18585	18587	18626	18642	18643	18666	18681	18703	18715	18788	18867	18940	18954
18970	19050	19105	19114	19129	19149	19154	19249	19252	19387	19389	19418	19428	19436
19446	19454	19472	19515	19527	19547	19577	19665	19668	19769	19793	19800	19832	19850
19851	19874	19881	19894	19945	19979	19984	20021	20066	20112	20122	20125	20137	20139
20142	20169	20172	20219	20281	20334	20368	20503	20509	20594	20632	20645	20666	20695
20723	20754	20805	20824	20844	20899	21116	21133	21221	21500	21641	21645	21649	21675
21699	21751	21796	21880	21888	21948	22153	22266	22324	22359	22368	22383	22389	22422
22425	22441	22451	22525	22575	22613	22635	22872	22876	22891	22922	22934	22943	23031
23048	23161	23181	23195	23222	23294	23347	23393	23413	23431	23435	23438	23445	23535
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24097	24136	24156	24256	24298	24313	24329	24339	24372	24379	24408	24471	24519	24547
24641	24648	24663	24764	24767	24777	24857	24874	24935	24940	24971	24996	25078	25121
25169	25172	25204	25207	25354	25383	25421	25519	25567	25578	25694	25751	25777	25784
25799	25838	25947	25955	25966	26008	26047	26054	26067	26142	26236	26265	26276	26282
26403	26442	26456	26547	26556	26595	26614	26656	26673	26734	26790	26792	26860	27007
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49216	49219	49242	49296	49321	49348	49374	49385	49425	49438	49549	49602	49617	49626
49655	49661	49711	49735	49755	49763	49799	49807	49829	49835	49949	49956		

Bonds drawn no. 1650

The bonds indicated above for redemption will expire and be made payable from May 1, 1976 in US dollars for the entire nominal capital plus interests accrued up to that date. They must be presented for redemption with all coupons expiring after May 1, 1976, at the following institutions:

BANCO DI ROMA
MANUFACTURERS HANOVER TRUST COMPANY
S. G. WARBURG & CO. LIMITED
BANQUE INTERNATIONALE A LUXEMBOURG

The bearers of the So.F.T.E. bonds in US dollars with a coupon of 7.75%—1970/1985 are informed that the Ministry of Finance, with the resolution no. 12/50263 of 16/1/76 recognized, according to art.72 of DPR 29/9/1973 no. 600 and art.37 of DPR 29/9/1973 no. 601, that foreign bonds put in currency deposits (bought) by 31/12/1973:

1) are not subject to the 30% reduction as per paragraph 3 of the art.26 of the above mentioned DPR no. 600 of 1973;

2) are exempt from the local income duty and from personal income tax.

For the reductions applied against coupons put in payment in 1974 and 1975, the interested persons may claim reimbursement at the competent Revenue Offices.

BANCO DI ROMA
Paying Agent

Rome, 8 March 1976

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MONDAY, MARCH 29, 1976

Joining the bandwagon

THE SECOND ROUND of the Prime Ministerial election does not leave much room for speculation. It is universally assumed that when voting is completed at noon to-morrow, Mr. Healey will be found to have been eliminated and the final choice narrowed to Mr. Foot and Mr. Callaghan. This assumption is very likely correct. But the near-certainty of the prediction probably owes as much to the large number of MPs who are impressed by the prediction itself as to the number who actually desire the predicted outcome. If all those who really believe or strongly suspect that Mr. Healey would make a better Prime Minister than Mr. Foot or Mr. Callaghan were to vote according to their conviction the result might actually be in doubt.

Other motives

This is not likely to be the case. The desire to "go with the winner," even in a secret ballot, is a powerful if irrational incentive. There are other motives as well. Some of those who voted for Mr. Jenkins or Mr. Crosland on the first ballot are no doubt resigned or disgusted and simply wish to put an end to what they regard as a wretched affair in the simplest and quickest way consistent with keeping out the Left. Others may calculate that Mr. Jenkins's chances of a come-back are greater under Mr. Callaghan than under Mr. Healey. Another possible, though very far-fetched rationale may be the fear that if Mr. Healey knocked out Mr. Callaghan he might not beat Mr. Foot in the run-off.

These are all understandable considerations in the world of practical politics where the easy way out is the normal exit, but they are bad counsellors none the less. Mr. Healey has, in fact, the strongest claims to the Prime Ministership among the three candidates now remaining in the race. Mr. Foot is a national institution, a fine rhetorician and a civilised man. But he simply will not do. Naturally the Financial Times is not anxious to see Tribunite men and still less Tribunite measures in Downing Street. But even Mr. Foot's own supporters must see that his age, his lack of administrative background and above all the unacceptability of his radical image in the country must make him, in the end, a gigantic electoral liability.

Mr. Callaghan is another matter. He is a politician of wide experience. He is a skilful party manager. He is generally trusted by the voters. In normal times he would make a perfectly acceptable caretaker Prime Minister and even in the crisis of to-day his virtues would have a useful part to play. But he has one great disadvantage—his age—which has inevitably taken its toll of his energies and his capacity for creative thought and which condemns his party and the country to an instant Cabinet struggle for the succession.

Reputation

Mr. Healey is not without his drawbacks. He is a heavy footed politician and an indifferent handler of men. But he has in greater measure than his rivals the necessary personal assets of determination, experience and intelligence, as well as the political qualifications of a central position within the Labour Party, and a good standing in the country. It is too late to persuade Labour MPs who do not agree with this relative assessment to change their minds. But many do agree with it. They will be doing a real service to the reputation of Parliament and the Labour Party if they follow their rational inclinations in this matter instead of humiliating the Chancellor in order to join the bandwagon.

The dangers facing Argentina

WHEN THE GOVERNMENT of President María Estela Perón came to an end in Buenos Aires on Wednesday the reaction of much of the population of Argentina and of many foreign observers was to breathe a sigh of relief. Her 20 months in office had produced few positive achievements and those that there were could not compensate for her often chaotic handling of the Argentina's politics and economics.

But even as her presidency came to an end it was legitimate to wonder whether a Right-wing military coup such as the one which toppled her was the best way forward for the country. After all, there did exist a Congress. Despite the contempt in which it was held by some Peronists and extremists of the Right and the Left, it had served as a useful arena for debates which might in its absence have been settled by corruption or by force. Its members had been freely and legitimately elected and, constitutionally, it was the repository of authority in the absence of a Head of State.

More extreme

General Jorge Videla, the leader of the coup, and his companions chose to ignore it and to adopt a much more extreme course of action, declaring themselves rulers of the country. They decreed the abolition of Parliamentary politics, arrested politicians and dismissed judges wholesale.

Their justification for considering that they could run Argentina better than any civilians was slim. It is less than three years since the last military President of Argentina, General Alejandro Agustín Lanusse, gave up supreme power in the face of growing popular cynicism about the military's handling of affairs and there is no reason to believe that in the meantime the armed forces have received any new gift of political wisdom which would allow them to do better to-day than they were doing in 1973.

No one should be surprised that the first drastic political measures taken by General Videla have already provoked a violent reaction from the Left. At least 13 guerrillas are reported to have died in clashes with the military since Wednesday and the atmosphere in the industrial city and trade union stronghold of Córdoba is tense.

Everything indicates that Argentina is in the middle of a spiral of violence and extremism of a type which has become familiar there for more than two decades.

Wider influence

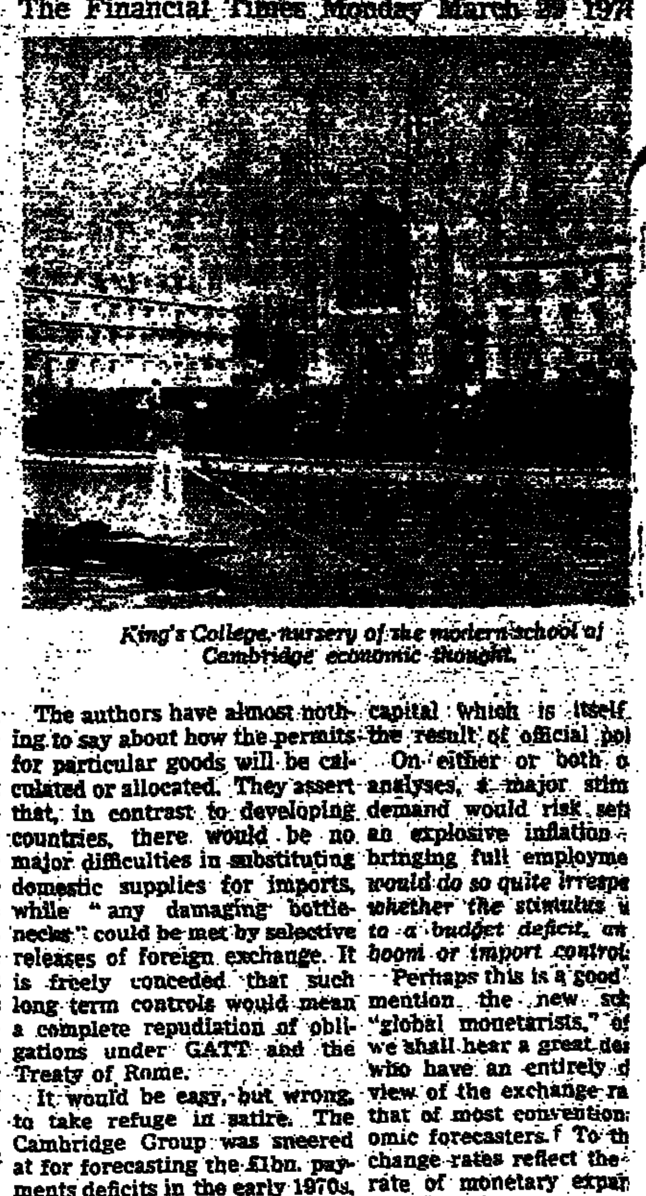
The difference between the present crisis and those which have gone before is that to-day many Left-wing Peronists, realising the final bankruptcy of their ideology is at hand, may decide to throw in their lot with the Marxist ERP or People's Revolutionary Army guerilla groups which are already well entrenched in Northern Argentina. If this happened, the polarisation of Argentine politics would be complete and very difficult to reverse.

The consequence of such a polarisation and the bloodshed resulting from it would be the rapid erosion of any remaining Argentine influence in Latin America and the evaporation of any hopes Argentines had that their country could play a role in the wider world outside Latin America.

If Argentina is to avoid such polarisation and decline, its present rulers need to announce that they intend to re-open Congress as quickly as they can. It is only there that the Argentines, who despite what their recent history suggests are politically sophisticated, will be able to work out their differences in a reasonable way.

Samuel Brittan separates the Dr. Jekyll from the Mr. Hyde in the latest Cambridge Economic Policy Review, out to-day

Rival diagnoses of a sick economy



King's College, nursery of the modern school of Cambridge economic thought.

MR. WYNNE GODLEY, who heads the Cambridge Economic Policy Group, is the Dr. Jekyll and Mr. Hyde of British economics. Formerly the Treasury's chief economic forecaster, he has acquired an unrivalled feeling for where the British economy is going. He had had an excellent record of diagnosing in advance where the economy was moving towards and the disastrous mistakes being made. With Professor David Laidler, the former Manchester monetarist now in Canada, he was among the very tiny band who both warned against the fiscal stimulation of 1972-73 and also predicted how high unemployment would go by the winter of 1975-76.

The Mr. Hyde aspect of his character is that he is dominated by an extremely questionable approach to longer term questions, based much too narrowly on statistical projection and national income accounting. It is this arithmetical approach to economics which leads him to see in import controls a panacea—and I am not exaggerating in using this word—for all our troubles. But the methods used by Mr. Godley-Hyde are those of a large number of British economists in the policy-making world; and he appears extreme mainly because he has the courage of his assumptions, which others fail to display.

Prognosis clinched

Let us start with Dr. Jekyll before moving on to his alter ego. One of the things I have learned in the last few years is to pay careful attention to any hints Mr. Godley drops about the immediate economic outlook.

In contrast to conventional forecasts of a slow upturn, the *Cambridge Economic Policy Review* (published to-day) maintains that "output will rise fast as destocking ends and world trade recovers." Unemployment will stabilise and even fall for a while. Retail prices will certainly be held down, but in the Cambridge view to 13 per cent. rather than single figures. The two signs of trouble for the future will be "an accelerating growth of imports and a decline in the purchasing power of average earnings."

Since these words were written, this prognosis has been clinched by two new economic indicators. It is not often that one month's figures make so much difference to a trend, that they alter one's whole view; but this has now happened both with the March unemployment vacancy figures and the February money supply data.

One's confidence is based not on the 5,000 drop in adjusted unemployment in March alone, but on this drop taken in conjunction with the vacancy figures. The latter have now been rising for three months in succession and have consistently been the labour market's guide to the labour market: they are also much less affected by artificial job creation.

Monetary policy is run in such a way that the money supply reflects current economic trends in addition to influencing future ones. The February jump in the money supply was so large that it converted a picture of monetary stagnation into one of monetary growth in the 8-16 per cent. range at an annual rate. For the time being, this is good news for economic recovery. But this very non-Cambridge indicator confirms the Cambridge suspicion that it will be extremely difficult to get inflation rates down into single figures, whatever Mr. Jack Jones says.

Until very recently I thought that the Chancellor could reasonably budget for a public sector borrowing requirement in 1976-1977 similar to the £10bn.-£12bn. outcome likely for the financial year now ending, provided that he had a programme of further emergency spending curbs in reserve and was prepared to raise taxes and/or allow interest rates to rise sharply if he could not get the cuts through the Cabinet. But the latest indicators have changed my view and I now agree with Cambridge that an urgent start must be made straightaway towards reducing the deficit, as "short term sources of finance" such as destocking and abnormal private savings, which have helped with both the domestic budget and overseas payments, "are likely to reverse themselves rather quickly this year." To talk of any kind of domestic stimulus, as Mr. Denis Healey has been doing, is playing with fire and quite irresponsible in a political leader who aspires to higher things.

A great advantage of Mr. Godley's passion for thoroughness and consistency is that it brings to light many topics which are easily overlooked. On another occasion, I shall discuss the sections on public spending and presentation of the Budget in the Economic Review which, at first glance, are entirely written by Dr. Jekyll. But the special investigation most central to the main theme is of the growth of the labour supply. This is expected to change dramatically from an average annual *decline* of 300,000 in the last decade to an average trend *growth* of 300,000—measured, courageously, in "full-time male equivalents." Taken in conjunction with the planned standstill in public service employment, this means that "productive potential" is likely to rise by about 4 per cent.

Ever since the National Economic Development Council was set up in 1962 "4 per cent. growth" has been a pious aspiration. Now, if these calculations are anywhere near the mark, we shall need a good 4 to 5 per cent. growth rate between 1975 and 1980 simply to get unemployment down to the 900,000 range, which even those monetarists who are sceptical of the conventional interpretation of the unemployment figures, would accept as a reasonable target.

It is at this point that Mr. Hyde enters the story. As the table shows, the Cambridge writers believe that to achieve even this modest unemployment target imports would have to grow by 12 to 14 per cent. a year in volume terms. The main central part of the table assumes that the exchange rate will move in such a way as not merely to maintain "constant competitiveness" in money costs, but to give U.K. producers an additional 3 per cent. a year cost advantage.

Even then there is no chance, in the Cambridge view, of securing the 14 per cent. growth of export volume which will be required after taking into account North Sea oil. The trend rate of growth of British exports has, after adjusting for the downturn in world trade, been only 6½ per cent. in the last five years, compared with an overall world trade expansion of 8½ per cent.

To achieve the required result by the exchange rate mechanism would, in the Cambridge view, require U.K. producers to be given a 20 per cent. cost advantage over their competitors almost immediately. After allowing for the import content of exports, a nominal devaluation of almost 40 per cent. would be required to obtain this result, even if wage settlements could be pegged for some time at 7½ per cent.

Quite apart from the domestic complications, such a devaluation would be a trifle difficult to arrange internationally.

By contrast, import restrictions are seen as almost painless domestically.

The authors have almost nothing to say about how the permits for particular goods will be calculated or allocated. They assert that, in contrast to developing countries, there would be no major difficulties in substituting domestic supplies for imports, while "any damaging bottlenecks" could be met by selective releases of foreign exchange. It is freely conceded that such long term controls would mean a complete repudiation of obligations under GATT and the Treaty of Rome.

It would be easy, but wrong, to take refuge in satire. The Cambridge Group was sneered at for forecasting the £1bn. payments deficits in the early 1970s, although the deficit reached nearly twice that figure before the 1973 oil price explosion.

May be some truth

One can, of course, query the Cambridge arithmetic. The whole horrifying statistical edifice is susceptible to very small differences in assumptions. Yet such quibbling is not sufficient. For the authors can easily reply that their calculations are as likely to be over optimistic as over pessimistic. Moreover, the international trade elasticities they adopt are similar to those of the Treasury, the International Monetary Fund, and the National Institute for Economic and Social Research.

What would follow if the Cambridge authors were right; and, even with the exchange rate moving slowly downwards to give British goods a gradually increasing cost advantage, there were no worthwhile way of achieving a payments balance without 1½m. unemployed, or "with a bit of bad luck," perhaps even 2m?

The real failure of the Cambridge school is its failure to investigate what has really gone wrong with the British economy and how to put it right. Instead, it has taken refuge in the cardboard shelter of import controls.

There are at least two possible explanations on offer, both of which may have some truth. There is the view of Mr. Peter Jay, expounded in his Wincott Memorial Lecture, that, so long as collective bargaining by monopolistic unions prevails, a politically explosive unemployment rate is required to prevent runaway inflation and currency collapse. There is also the view of Messrs. Roger Bacon and Walter Eltis* that there may simply not be the capital base to sustain full employment, thanks to a depressed rate of return on capital which is itself the result of official po[l]

On either or both o[f] analyses, a major stim[ulus to] demand would risk set[ting off] an explosive inflation [before] bringing full employme[nt and] *would do so quite irrespe[ctive of] whether the stimulus w[as due] to a budget deficit, an[y] boom or import control[s].*

Perhaps this is a good [time to] mention the new sc[hool of] "global monetarists," o[f whom] we shall hear a great dea[l] who have an entirely d[ifferent] view of the exchange ra[te from] that of most convention[al econ]omic forecasters.† To th[em ex]change rates reflect the rate of monetary expan[sion in] different countries in [relation] to the underlying real p[erform]ance of their economie[s and] very little else.

Monetary and [fiscal] stimuli, devaluation, imp[ort con]trols—none of these ca[n make] output and employment [levels] permanently higher th[an they] would otherwise be. [Be]cause monetary restrict[ion has] an adverse short-term e[ffect on] output, there is a case [for ex]change depreciation to [avoid] a highly inflationary co[urse to] buy time so that it can [gradu]ally adjust its rate of m[onetary] expansion to its inflatio[n].

The global monetaris[ts, who] are far from united amo[ng them]selves, should not be sw[allowed] hook, line and sinker—a[nd it is] a point in their favour [that] they are not really offe[ring] novelties. The best of th[em are] rather, returning to a[n] analysis pioneered b[y the] Scottish philosopher and [econo]mist, David Hume, the [bicen]tenary of whose death [falls] this year.

The practical lesson one might draw from th[e] monetarists is that, if [we look] after the money supply [and do] not interfere too much [in the] foreign exchange marke[t, the] balance of payments wi[ll look] after itself. Any exce[ss un]employment or capacity [short]comings then revealed [must be] tackled directly, prefer[ably by] looking at the structur[e of in]centives—or even of ow[nership].

I doubt if fiddling ar[ound] Wilson-Healey fashion [with] small monetary grants [to] chosen producers, [or] to prop up selected ["lame] ducks," or financing sam[e] work projects will reall[y help]. Indeed, in its way this physical tinkering is as [decep]tive and dangerous [as] monetary tinkering [whose] fallacies are now at las[t] realised.

*"Britain's Economic Problem: [Too Few] Producers," Macmillan £1.95.
†See, for instance, "The [Monetary] Approach to the Balance of P[ayments]," edited by J. A. Frenkel and H. [G. John]son (Allen and Unwin £15.00), [and the] third of the 1975 Papers on [Economic] Activity (the Brookings In[stitution], Washington, DC).

THE CAMBRIDGE PROJECTIONS

(Expected growth of imports, and required growth of exports, for alternative output and unemployment targets in 1980)

Unemployment in 1980 (m.)	GDP	Manufactured imports (by volume)	Imports of all goods & services (by volume)	Exports requirement (by volume)
Actual growth rates, 1965-75 (% per year: averages)				
	1.9	9.7	4.9	5.0*
Growth rates for 1975-80 (% per year: averages)				
(a) with 3 per cent. a year cost advantage and zero balance-of-payments in 1980				
2.00	1.9	7.3	5.1	6.7
1.75	2.6	9.4	6.5	8.0
1.50	3.2	11.6	8.0	9.4
1.25	4.0	14.7	10.0	11.4
1.00	4.8	17.4	11.8	13.1
0.75	5.6	20.7	14.1	15.3
(b) with no gain in relative costs of U.K. producers				
1.00	4.8	19.9	13.4	14.0
0.75	5.6	23.7	16.0	16.4
(c) with £2bn. balance-of-payments deficit in 1980				
1.00	4.8	17.4	11.8	12.4
0.75	5.6	20.7	14.1	14.6

* Actual rise in exports (% per year).

Source: Economic Policy Review.

MEN AND MATTERS

Trying to get them together

"Nobody's going to eat my porridge!"

It will be interesting to see how Charterhouse Japhet makes out with its novel idea of forming an institutional syndicate to participate directly in the development of North Sea Oil. There is no doubt that the institutions are willing to invest in the North Sea—they put up around £30m. of the £75m. Lasmo Scot fund-raising earlier this year—but no one has ever tried before to bring a number of pension funds and insurance companies together in a semi-formal syndicate.

The idea is the brainchild of Tony Craven Walker, 33, who is the manager of the oil and energy department at Charterhouse. The bank set up this department some four years ago, and it was run first by Richard Barry—an ex-Mobil man who remains a non-executive director of Charterhouse Japhet. Tony Craven Walker joined two years ago from BP: a petroleum engineer by training he did a stint in Alaska for BP, and when he left was project coordinator on the Forties oil field.

The prospectus, which has already been circulated to 55 major institutions and should reach another 20 to-day or to-morrow, is the end result of almost a year's work. It is based on the premise that some of the smaller development companies are prepared to surrender equity in exchange for finance, but that even the biggest institutions, however willing, cannot commit sufficient funds individually.

Craven Walker's problem has been largely one of education: pension and investment funds, he says, were not familiar with the profits and pitfalls of direct investment in oil production. For the last six months therefore he and his team have been touring some of the biggest institutions spelling out the details. At the same time they have been talking to a number of developers to make them receptive to the idea.

Now, sufficient institutions have shown interest for Charterhouse Japhet to try to get the show on the road. If it succeeds it will be yet another vehicle for channelling private money into North Sea to fill the gap which the bank claims will be left by the British National Oil Corporation.

Coupon caper

Carreras Rothmans have revived nostalgic memories with their recent launch of "Black Cat" cigarettes containing cigarette cards, but a letter from India has forced W. D. & H. O. Wills to think even further into the past. A Miss V. Baby of Madras sent 110 coupons for redemption: not normally a problem for Wills whose Embassy cigarettes with their blue coupons are clear market leader in the U.K. market.

The snag is that Miss Baby's coupons come from Wills "Scissors" cigarettes, which were made not by Wills, but by the Imperial Tobacco Company of India (under the long-standing agreement with British American Tobacco). Even more difficult was the fact that half the coupons should have been redeemed by January 1916 and the other half not later than 1933.

First reaction at Wills was to swap their "present" tickets, as they were styled, for a gift from the current Embassy catalogue. However customs, postage, and insurance problems would have involved the recipient in a good deal of expense. The final solution came from the Wills archivist, Ray Barrett, who discovered that the tickets had a curiosity value They were sold to a collector for a fiver, which has now been sent off to Madras.

Good timing

Like the pocket calculator, the digital watch started off as an expensive toy for the rich, but has rapidly worked its way down market into the reach of most pockets. More properly called a light emitting diode (LED) watch it has the advantage of being more accurate and reliable than even some of the most expensive traditional wrist watches, and as prices come down sales are, apparently, booming.

One of the cheapest coming on to the market now is made by Trafalgar Watch Company and Tesco, for example, is planning to retail the three-function watch (hours, minutes and seconds at the touch of a button) at £17.50. Other outlets which handle Trafalgar watches include Currys, Lasky's, and Debenhams.

Set up in 1948 by a Czech, Willy Herrmann, Trafalgar is something of a maverick in the watch world. In the early years the company specialised in jewellery and did not get into watches until 1966-67—following the abolition of the watch import licence system. Its policy has been to sell its watches through non-jewellery outlets, and claims this as part of the reason for its ability to undercut traditional watchmakers: Trafalgar's retail outlets tend to have a quick turnover so that stockholding costs are low, and they are prepared to settle for a lower retail mark-up than jewellers.

Trafalgar reckons that this year it will sell 1m. conventional watches (bulk purchase is another means of economy) and is aiming to take no less than half of the LED watch sales with its new range. That, according to Michael Herrmann, 28-year-old managing director and son of the founder, would mean sales of around 500,000. That seems a tall order but Trafalgar does have some powerful retailing muscle on its side.

No thanks

Reverting to the subject of marketing incentives, the New Orleans-based National Committee for Monetary Reform has come up with an unusual perk. Printed on its envelopes is, "Subscribe to Gold Newsletter and receive absolutely Free: *America's Great Depression.*" To be fair it does point out that this is a book, but I would have thought they could find something more cheerful.

Observer

FINANCIAL TIMES SURVEY
Monday March 29 1976

Middle East Banking and Finance

The Middle East enjoys about 90 per cent. of OPEC's surplus oil revenues. The Arab countries and Iran are rapidly developing their financial institutions to participate in the recycling process.

hifting ows f oil 'ealth

HE past year the world djusted more comfortably e sudden, dislocating shift ancial assets as a result e escalation in oil prices 973-74 and the breath- g concentration of wealth e hands of the oil pro- s, particularly those of iddle East. The economic still being suffered by industrialised states, not least Britain, and the ping countries must still n as having been inflicted be quintupling of per revenues in those They have been however, by the relative rice stability since the ning of 1975 and the con- s' ability to curb their d. Significantly, the IMF not now foresee the need enewal in 1977 of the l facility to help the e of payments of ters most seriously d by the OPEC price ents.

1974 the international ial community reacted esilience and resource in g with the challenge of ng a collective OPEC s of $55bn., of which was accounted for by rab countries and Iran. ms of the volume of funds ke the problem, which is d very much on the e East, was considerably ed in 1975. A lower price, in production of 10 per and the oil states' ement in increasing their ts of goods and services faster than in the previous led to a surplus to some- like $35-40bn. Again the share of it, 90 per cent. re, accrued to the eight e East members of OPEC roughly two-thirds of it to four Arab producers— Arabia, Kuwait, the d Arab Emirates and

Others like Iran and Algeria (which was in deficit) felt the pinch from the drop in production, increased spending and inflation. It was this change in fortunes, of course, which led to strong build-up of pressure for a price increase of 20 per cent. or more at the OPEC conference last September. The compromise 10 per cent. agreed as a result of determined Saudi opposition and the freeze until next summer will hardly be enough to cover inflation in the nine-month period. Just what the outcome of the next OPEC conference in the summer will be remains uncertain—making predictions about surpluses in 1976 hazardous.

OPEC countries will probably be unable to maintain the same fast growth of imports as in the past two years. Whatever the limits on their absorptive capacity, it can be said with certainty that the 10 per cent. increment of last September will be subsumed by inflation.

Having withstood the first flood, the international complex of money markets and banks has succeeded in channelling petrodollars to investment outlets. In this process there has been increasing participation by the Middle East producing states' own institutions and the encouraging development of the Arab aid funds and development banks, which should increasingly supplement the Euromarkets. More bilateral arrangements between the oil states and the developing countries, whereby the former undertake a greater responsibility for the risks involved must be welcomed. In turn, this requires a strengthening of the financial institutions in the surplus states.

Response

The proportion of surpluses following to the Euromarkets—37-38 per cent. in 1974—has probably risen in response to higher interest rates. For this reason the amount going to the World Bank in 1975-76 will be much smaller than in 1974-75. Probably, the volume being redeployed on the Euromarkets is too high for anyone to be complacent about given the risks of insolvency and the problems that could arise when debts come to mature. In the interests of the surplus oil states themselves, the case for evolving new recycling mechanisms on an international, official basis would appear to be still strong —despite their continuing suspicion of any such proposal.

Given the sums involved, however, the existing machinery can be said to have done well. Inevitably, the oil producers must keep considerable funds in liquid form for budgetary reasons. However, the trend over the past year towards longer-term investment in bonds and real assets should be regarded as positive and healthy. It has been calculated that at the end of 1975 one-third of the oil States' holdings in the U.S. were made up of long-term government agency and private debt instruments, compared with little more than 10 per cent. at the end of 1974. Less satisfactorily for Britain's payments deficit, there was the marked shift of funds away from the U.K. to the U.S. and other countries.

U.S. Treasury statistics show that the Middle East members received oil revenue of $78.97bn. out of an OPEC total of $98.41bn. Because higher per barrel revenues offset a 10 per cent. decrease in production, receipts were 6 per cent. up on the $74.50bn. estimated for 1974. Imports of goods, however, were reckoned to have increased by no less than 62 per cent. from $34.90bn. to $40.46bn., while the collective deficit on service account rose from $2.08bn. to $5.09bn. After taking into account non-oil exports, there was an investible surplus of $36.12bn. in 1975, compared with $49.98bn. in 1974.

Aid in various forms would have taken perhaps as much as a sixth of the excess recenue of the regions oil States. Statisically speaking, it is a grey area because of the different definitions. Taking the broader one used by the IMF and the UNCTAD (including the oil facility) Arab oil producers and Iran disbursed $6.1bn. and made commitments of $11.84bn. In the first half of 1975 their actual outlay ws $3.48bn., and undertakings made totalled $9.29bn. The weight was in favour of bilateral aid, and most of it went to Arab countries — with the strongest concentration in Egypt, Syria and Jordan. A major factor here was the Rabat summit conference at which the Arab oil producers pledged themselves to donate in excess of $1.5bn. mainly to the "confrontation states."

Excess

Saudi Arabia will have accounted for about half the Middle East oil surplus in 1975 and promises to have an even bigger share in 1976. Last year the excess revenue in the hands of the Government was certainly greater than the increment in its gold and foreign exchange reserves. Until 1975 international liquidity was a fair guide to the foreign assets at the disposal of the Saudi Arabian Monetary Agency. It is now clear that the Kingdom has been moving discreetly, but substantially, into longer-term assets not registered by the IMF. After aid disbursements estimated at about $2bn., the surplus in the hands of the Government cannot have been less than $15bn.

Together with the Kingdom, Kuwait alone is set to generate very substantial surpluses for the rest of the decade. The State surplus of $5-6bn. last year was less than in 1974. But income from the General Reserve, with assets now of over $12bn.—most of them foreign—may be running at a rate of $1bn. Despite the stated intention, in the wake of the price escalation, to devote all its excess revenue to aid and investment in the Arab world and other developing countries, more recently there has been a frank recognition of the limitations and difficulties of that course. Kuwait has been active on the Euromarkets but has also been making heavy and unpublicised investments in equities and real estate.

As generators of petrodollars, the UAE and Qatar are on a smaller scale. Within itself the UAE confederation presents a contrast: Abu Dhabi, where the main fields lie, is setting about a long-term investment policy, while Dubai is borrowing heavily to finance industrial projects. The Abu Dhabi portfolio, recently transferred from the old London-based investment board to a new, but still Western-advised, authority in the State itself, probably now controls assets worth about $2bn. Yet with its surprising propensity to spend and generous aid donations, Abu Dhabi has had little surplus to invest. It amounted to no more that $50m. last year and is expected to decline further in 1976. Qatar, with a much smaller petroleum output than Abu Dhabi, now has its own investment Board overseeing a number of portfolios and other assets.

These four producers were the only ones which could look with equanimity at the decline in production and—in real terms — income. Already burdened with a heavy debt, Algeria may have suffered a payments deficit of up to $2bn. last year. It resorted to the Euromarkets for $500m. last year and will seek to borrow at least as much in 1976. As a result of big spending on development, Libya's international liquidity fell from $3.61bn. to $2.19bn. The reserves of Iraq declined less dramatically from $3.27bn. to $2.72bn., but it felt the necessity for raising a loan of $500m. —none of which is believed to have been drawn upon yet. The smaller non-OPEC Arabian producers, Oman and Bahrain, are both borrowers. Most publicised of all have been the difficulties of Iran, which experienced a payments deficit for the financial year just ended and anticipates a budgetary one for 1976-77.

The pattern on oil wealth in the Middle East is a confused one. So, too, are the financial relations resulting from it. In the context of Arab nationalism it makes no sense to the purist that Algeria should have to turn to Western markets for loans which indirectly Kuwait or Saudi Arabia may contribute to. Creation of an Arab capital market will take time, but the progress being made towards it should not be discounted.

On the Euromarkets Arab institutions, particularly the Kuwaiti ones, are increasingly involved in leading and co-managing issues, including a few in Gulf currencies. More merchant banking ventures and investment companies are opening their doors. The aid funds and development banks are expanding their activities and may yet help to create the basis for a secondary market by raising loans and negotiable medium-term paper. Bahrain has added a new dimension by establishing its off-shore banking facility and the UAE may soon follow suit.

Yet the scene is a fragmented one, with a number of regional centres in early stages of development, dealing mostly with Western markets rather than with each other. In this connection, it should be noted, the Middle East was only inconvenienced by hte virtual paralysis of banking in the Lebanan: Beirut had pretensions to being a major regional centre but touched little of the oil wealth itself.

As yet there has been no sign of the challenge from Egypt which was anticipated after the liberalisation measures and creation of "free zones."

However, in the Gulf, a homogenous area, moves are being made towards economic unity which could provide the framework for a strong, diversified centre of gravity for banking and finance. Notably, there was the agreement of Kuwait, Bahrain, the UAE and Qatar to unify their currencies at a meeting which Saudi Arabia attended as an observer. The UAE and Bahrain earlier this year went ahead in accepting each other's money as legal tender. The Gulf States have also decided to allow each others' citizens to open businesses any buy property.

On a wider front the Arab oil producers are considering a common unit based on a basket of currencies for use in their joint economic projects. Most Arab Governments have subscribed to the Kuwaiti-inspired Inter-Arab Investment Guarantee Corporation. Agreement on the creation of the Arab Monetary Fund has been reached and awaits ratification by the Arab League. Its aim would be to assist the poorer members with their payments problems, encouragement of trade between them and assistance with economic development. Sooner or later, the Arab world, despite its great political differences, will become a more coherent whole in its financial and banking relationships with the world.

Richard Johns

The merchant's advance

ACCORDING to an attractively produced publicity brochure, itself a sign of the evolution of Arabian merchant enterprises, the Juffali Group of companies would rank among the 300 largest industrial corporations in the United States. The Group's trading activities have established Saudi Arabia as the world's third biggest importer of Mercedes trucks, and the company ranks among the two or three biggest importers of the products of many of the other corporations its represents.

In Kuwait a similarly massive importer, Yusif Ahmed Al Ghanim and Sons, has become the world's biggest General Motors and Philips Electronics agent—and although, like the Juffali group, the Al Ghanim company is probably the biggest single private trading enterprise in its country, it in no sense eclipses the operations of the other more important merchants.

What is remarkable, by Western standards, about all of these importing-cum-industrial groups in the Arabian Peninsula oil states is that they are owned by single families, or more often by just a few members of these families—and it is because of this ownership pattern, when taken in conjunction with their enormous size, that they now appear to have reached something of a watershed in their development.

In many cases the men who founded the companies or who have presided over their growth for the past 20 years have now reached retiring age, and this has raised the issue of the succession. The sons of the founders may not be as able as their fathers, and they may, in particular, try to Westernise the management style of their companies too quickly or in too superficial a fashion: they may quarrel with their fathers: they may quarrel among themselves and split the companies: or they may simply not want to take over their fathers' positions. There have already been sufficient examples of all of these things happening for the succession problem to be taken seriously.

Closely bound up with this issue is the problem of management methods. In all the Arabian merchant enterprises (as in Arabian governments) a great many quite minor decisions are still taken at the top—and for all their Western training and the lip service they pay to delegation, those members of the younger generation who have already taken over their fathers' companies have continued this practice. The consequence is not only that the companies are prevented from making the best use of the highly trained European and American personnel they have in their senior management, but also that on the retirement or death of the older generation there has sometimes been a loss of control, resulting in lower profitability.

Survival

In the minds of a few businessmen in the Arabian Peninsula, therefore, the question has arisen of whether, for the sake of ensuring the survival of the companies they have created, it might not be a good idea for them to go public. But so far none has taken the plunge, and, as far as one can tell, none has even come very close to doing so.

In a quite different sense some of the companies have reached a watershed in as far as the range of their activities is concerned. Traditionally the merchants' operations have been fantastically profitable because of the huge margins they have built into the price of the products they import; and in the past two years they have done well out of the big increase in Government spending, even though they have suffered from the same bottlenecks that have affected the State development programmes. The latest bottleneck affecting the Juffalis' operations has been a shortage of vehicle number plates.

Potentially the merchants might increase their profits still further (some estimates would suggest by as much as 100 per cent.) if only their operations became more efficient. The most obvious area of inefficiency lies in the decision-making process, but many of the companies also maintain inordinately big stocks, and many are overstaffed with rather low quality junior management.

However, reassuring as the thought of having the potential for a doubling of profits may be, the position of the big importing groups is not invulnerable. If they allow their businesses to remain static, which must be a temptation in the case of companies whose products seem to have reached a point of market saturation, they may find that rising overheads begin to erode their margins. More significantly they will suffer from competition from new up-and-coming merchant houses, many of which are more aggressive than the established families, and some of which (these being the newer motor car importers) are backing their sales drives with improved servicing facilities. Servicing and spare parts have been weak spots with Arabian motor importers in the past.

It was considerations such as these, plus a desire to gain greater control over the price and supply of the goods they imported, that prompted the Juffalis to enter a joint venture with Daimler-Benz for a Mercedes commercial vehicle assembly plant. This plant is now under construction near Jeddah.

The Juffalis have for some time held stakes in the electricity companies of Mecca and Taif, Jeddah, Medina and Hofuf, and in the Saudi Cement Company in Dammam, which has recently signed a sales agreement with the Bahrain Government under which a second plant will be built in the Eastern Province to meet Bahrain's requirements.

Although many of the other biggest merchant enterprises would endorse the logic of the Juffalis' moves, none of them has yet diversified on so massive a scale.

In Saudi Arabia, rather more than in the Gulf countries, there are families who have had major investments in operations other than trade for many years. Examples would be the Bin Laden brothers, who in 1966 inherited from their father the world's biggest private contracting company; the Rajhi brothers, who have made a huge fortune out of exchange dealing; the Ghosaibis, who have made big investments in shrimp fishing; the Haji Abdullah Ali Reza company, which has a contracting joint venture with Wimpey and Lang; and Abdel-Aziz Sulaiman, who has a contracting company, real estate investments and a big stake in the Arabian Cement Company near Jeddah.

But in the last two years additions to this list have been fairly limited. The Mahfouz family, which owns most of the National Commercial Bank (the biggest bank in the Kingdom) has gone into insurance; Abdel-Aziz Sulaiman has entered investment banking; and four Ali Reza brothers (the sons of Shaikh Ahmed who runs Haji Abdullah Ali Reza) have branched out on their own to form Xenel Industries. This concern has already established joint-venture companies with Anaconda (for the manufacture of copper cable), Standard Oil of California (crude oil transport), Morgan Grenfell (investment banking in Egypt) and various specialist contracting concerns—but not all of these companies have yet reached the construction or operational stage.

In Kuwait direct diversification into industry by the major merchant enterprises has been much more limited. Abdel Karim Hassawi owns a water cooler and refrigerator assembly plant; Abdlatif Thnayan Al Ghanim has a joint venture carpentry workshop and a babies nappy factory; Youssef Ahmed Al Ghanim and Sons has a joint venture with an American company for building steel frames; the Kharafis make plastic pipes, steel products (such as boilers) and prefabricated houses; and the Sharhans have a paper and plastic bag factory, an aerosol products factory, a bottling plant for freon gas (for air conditioners) and an envelope factory under construction.

Projects

What has happened in Kuwait (and in Saudi Arabia), however, is that merchant families have formed themselves into groups to undertake industrial projects through private shareholding companies. In Saudi Arabia this has been a fairly recent trend (at present investors are showing great faith in industries to manufacture building materials), but in Kuwait the expansion in size and numbers of private shareholding manufacturing companies goes back to 1965 with the passing of the Industrial Law and the establishment of the Shuaiba Industrial Area, in which the Government has constructed the basic infrastructural facilities and laid on cheap power and water supplies.

In both countries private industrial ventures are encouraged by tariff protection, a licensing system which will generally ensure a monopoly for a new manufacturing company (unless there is clearly room for more than one company manufacturing a particular product), and the possibility of obtaining cheap long- or medium-term finance from new industrial development banks.

Michael Field

London loses some of its petrodollars

THE CITY of London has steadily lost its attraction for oil funds over the past year or so. This is not to say that it does not still have a central role in handling the oil-exporters' money. But the figures published by the latest Bank of England Quarterly Bulletin are a reminder of the decline in attractiveness of London to OPEC investors and of the competition from other centres. Last year Britain was the repository for only $4.3bn. or 14 per cent. of the oil-exporters' total surpluses of $31.5bn. In 1974 Britain had attracted some 37 per cent.—$21bn. out of $56.4bn. By contrast, the U.S. retained about the same proportion in 1975 as in the previous year—19 per cent.—though the actual amount ($6.1bn.) was down on 1974's $11bn. The decline in the total surplus, like that in the U.S. share, reflected rapid spending by the oil states on imports.

The Bank statistics also show that the OPEC states' preference for Eurocurrencies is on the increase. None of the OPEC surplus which came to London last year added to sterling investments, and $4.1bn. of the $4.3bn. total went into foreign currency deposits in the Euromarkets, with another $200m. in other forms of foreign currency lending to British borrowers.

An outflow of $900m. from Treasury bills cancelled out the $400m. invested in British Government stocks and $500m. in sterling deposits and other sterling investments. In the last quarter the contrast was particularly marked. Foreign currency deposits drew $1.8bn. while net sterling investments remained nil, $100m. purchases of Government stocks and a similar amount of other sterling investment being offset by an outflow from Treasury bills of $200m.

The drop in investment in sterling reflects the currency's decline as a medium for payment of oil revenues. By the last quarter of 1975 the proportion paid in sterling was down to 8.6 per cent. (only $2.4bn. out of $28bn.). In the whole year it was 11.4 per cent. ($12bn. out of $105.1bn.). This contrasted with the 20 per cent. paid in sterling in 1974 and the 34 per cent. in 1973.

The decline of sterling's share of the OPEC surplus in 1975 was hardly surprising in view of the weakness of the pound for most of the year and the strength of the dollar. Sterling's weakness wiped out the advantage of the extra 3 per cent. or so that can normally be made on sterling investments over dollar ones. In the past, the oil-exporters' use of London as a repository for their funds helped shore up the pound: recently their lack of interest in it has contributed to the downward pressures on it. This has been continuing this year as first Dubai and then Nigeria transferred funds out of sterling.

Published investment activities by the oil States in the touchy areas of major equity and property purchases also dropped off in Britain last year, as the figure of only $300m. given by the Bank for other sterling investments in 1975 shows. There was nothing like the previous year's £107m. takeover by Kuwait of St. Martin's Property Corporation or Abu Dhabi's purchase of a 44 per cent., £36m. stake in the Commercial Union building in the City, though individual Arabs and Iranians were busy on the private property front, and equity dealings involving holdings of less than 10 per cent. in any one company continued without much fuss.

Complicated

The major interest in Arab share-dealings over the past few months has centred on Lonrho, in which the Kuwaiti company Gulf Fisheries now has a 21½ per cent. stake. The complicated dealings that have gone on since the beginning of the year have engendered speculation that the mining and industrial group may soon change the base of its operations from London to the Middle East. Edward Bates and Sons (Holdings), the London merchant bank, has already benefited from the purchase last year by an Arab consortium of a 25 per cent. stake in it. Arab business gained as a result of the purchase helped it turn a £15.2m. 12-month loss into a £299,000 pre-tax profit for the six months ending September.

London remains a major centre for the OPEC countries because of its wealth of financial expertise, its importance in the Euromarkets—Iran, Algeria and Iraq have already started borrowing in a big way—and the historical links with the Gulf. British banks play a big role in the management of official reserves in the Gulf emirates, though the lion's share of Saudi Arabia's massive surpluses are handled by American banks. People seconded or recruited from the City hold important positions in the emirates, heading the management of the Bahrain Monetary Agency, the UAE Currency Board, the Qatar National Bank and other institutions. The Qatar Investment Board has a representative of Coutts as one of its members. However, there have been some changes over the past year. The Abu Dhabi Investment Board, which was chaired by Sir John Hogg of Williams and Glyn's and met in London, has been dissolved and replaced by a mainly indigenous authority based in Abu Dhabi.

Most of the oil states channel their funds destined for London through the big British and American banks, but Kuwait also maintains an investment office with a staff of 30 and the Qataris have one to function in a purely advisory capacity. The Kuwait Investment Office is an arm of the Ministry of Finance's investment department and has its origins in the Kuwait Investment Board, which was set up in London in the 1950s. The Kuwaitis like London for the range of investments available and the plethora of smaller companies quoted on the Stock Exchange, which provide many opportunities for sound, and discreet, investment.

Differences in time zones and operating hours have encouraged the establishment of Middle Eastern Banks in the City. Iran is the best represented country, with six banks. Bank Melli Iran, like Iraq's Rafidain Bank, has been in London since the 1950s. Apart from the Gulf Bank's representative office, no Kuwaiti bank has a direct presence, though four commercial banks and two investment companies are partners in the United Bank of Kuwait, which earlier this month opened its third branch in London.

Venue

Middle East banks have also found London a useful venue for joint banks with Western interests as an entrée into international markets and as a training ground for their own staff. These banks include the Iran Overseas Investment Bank, in which Iranian, British, American, Japanese, West German and French banks have 10 per cent. stakes; UBAF Ltd. (50 per cent. UBAF of Paris, 25 per cent. Libyan Arab Foreign Bank and 25 per cent. Midland Bank); and the Saudi International Bank, just opened, which is 55 per cent. Saudi and 20 per cent. Morgan Guaranty, with 5 per cent. stakes held by five other international banks.

Apart from the four major clearing banks, which have expanded their horizons to Cairo and the Gulf, as well as Beirut, since October, 1973, British commercial banks traditionally involved in the region have been BBME, Grindlays Bank and Chartered Bank. Of the merchant banks, Morgan Grenfell, Hambros, Kleinwort Benson, Lazards, Brandts' Edward Bates and Arbuthnot Latham are probably the most active in the Middle East. Morgan Grenfell are linked with the Arab Bank in the Arab and Morgan Grenfell Finance Company, while Arbuthnot Latham has interests in Oryx Investments in Dubai and the Arab Financial Consultants Company in Kuwait. All these banks are involved in putting together financial packages to back development projects in the Middle East, advising on project details, seeking local or Western companies to carry out projects, and so on.

Contacts between the Bank of England and the Treasury on the one hand and the OPEC states on the other are naturally close. The Bank's links with the region date back to the time many of the countries were in the sterling area. The Bank also helped set up monetary institutions in the Gulf — UAE Currency Board Director Ronald Scott was seconded from the Bank and is now on the Board's permanent staff. Senior Bank officials make frequent visits to the Middle East to discuss with their opposite numbers questions of mutual interest such as sterling balances, investment in Britain, etc.

The Treasury has particularly strong ties with Iran, from whom it negotiated the $1.2bn. loan for British nationalised industries in 1974. A bid to give the City of London a key role in assisting Tehran's development as a financial centre was made at last autumn's Anglo-Iranian Financial Conference, which Chancellor Denis Healey attended along with 70 or so City luminaries. But the U.S. clearly does not intend to be left out, and a counterpart conference was held by Americans and Iranians in Tehran earlier this month.

Peter Field

Regional centres stake their claims

E CIVIL war in Lebanon has sed a major disruption in the tern of Middle East Regional king. The cumulative effect en months' fighting and the tinued uncertainty over the irity situation there has ed the international banking imunity to re-examine pre-ly how and where their dle East operations be con-ted. Amman, Athens, Ban-, Cairo, Dubai, Kuwait and ran have all in varying rees attracted some of the iness that was formerly inelled through Beirut. But single centre has emerged rovide the combination of ices and attractions which ut offered—or could offer ormality returned.

hat has happened is a sort "Balkanisation" of banking ness—a series of small but nding centres operating not ssarily in competition and a complementing each other. move away from the idea eirut as the most convenient re into smaller, and perhaps ialised regional centres, is likely to continue even ecurity is re-established in ut. This is because the inese conflict merely acted catalyst and accelerated the ess whereby other capitals ie region sought to promote iselves. For instance Bah-s decision to go ahead with offshore banking scheme—probably the most potentially important banking development in the region last year—was conceived with only marginal reference to Lebanon. Tehran's efforts to establish itself as a regional financial centre began before the Lebanese crisis. Kuwait has steadily been building up its own banking and investment muscle regardless of Lebanon, and to a lesser extent so has Dubai and Abu Dhabi. In fact it is really only Amman and Athens, and marginally Cairo, which have sought to benefit from the demise of Beirut.

The reasons for Beirut's prominence until now are well-known. But some are at least worth stressing simply because the other potential centres are lacking in one or several of Lebanon's attributes. Beirut provided a mutually acceptable middle ground, free of political rivalries to operate from where good air and telecommunications offered easy access to the whole of the Arab world, in particular between the oil rich Gulf and the other Arab states, plus of course contact with European capitals and the U.S. Above all else it was ideal as a "feeder" through which banks could operate. In addition it had on tap a host of back-up facilities such as skilled labour and people familiar with banking practice, and foreign languages. It also possessed unrivalled recreational and environmental facilities—a by no means negligible factor in a banker's choice of headquarters.

Euphoria

Thus as the petrodollar euphoria caught on, Beirut seemed the place to establish a Middle East headquarters. Banks rushed to be in Beirut, not so much to take part in the local market, but to ensure access to the wider market, especially in the Gulf and Saudi Arabia. Conditions were not ideal. The foreign banks that bought into Lebanese banks in this period, 1973-74, for instance found themselves limited in their operations by a Central Bank ruling that the volume of business be conditioned by the balance sheet of the banks at the end of 1973 (often before the partnership had had time to expand). The local market was limited by the virtual absence of a secondary market, negligible trade in securities, small scope for rediscounting paper, and an insignificant stock exchange. The Central Bank also operated a conservative policy and discouraged a major expansion of Beirut as a real centre by levying charges on all deposits in the country.

These limitations on the expansion of the local market also combined with another trend. The strength of the Lebanese banking system had relied essentially upon private capital—funds placed by individual wealthy Lebanese and other Arabs. The dramatic increase in oil revenues from 1973 onwards saw wealth accrued far more to Governments than to individuals — and the Governments themselves began to play a major part in disbursement, thus carrying out much more banking activity within the countries directly themselves.

At first last year it seemed, in the hectic search for a new centre, that one place might be able to establish itself. However, now it has become obvious that Beirut in many respects was unique and that there is no alternative. So we are left with a series of places each aspiring to play a greater role. To take the two non-Arab capitals first: Athens and Tehran. Athens initially attracted a flood of "temporary" visitors, attracted by its good communications, security for families and liberal attitude to foreign companies. Yet Athens never could or can set itself out as a true Middle Eastern base as much as anything because it cannot really claim to be part of the Middle East. Although it may have attractions for the Greeks, there is little logic for foreign banks to promote a regional financial centre there, especially as the European markets are so close.

The fact that Tehran is not part of the Arab world has been only a small element mitigating its efforts to establish itself as a regional centre. Tehran was the first Middle East capital to set out to establish itself as a financial centre and capital market when oil revenues jumped in 1973. Much was written and talked about its potential, culminating in two large conferences, one with leading U.K. bankers in October 1975 and one with U.S. bankers this month. The general thrust to emerge from these two conferences was that the needs of Iran's own developing economy were such as to put a priority on strengthening the existing banking structure and laying the basis for a local capital market—which yet did not preclude it from subsequently expanding to have a broader regional horizon.

There are 12 foreign joint venture banks (with minority shareholdings) and 40 representative offices now in Tehran. Although there is plenty of local business available, expansion into an international centre remains inhibited by a number of factors. Principal among these are poor communications, and a generally inadequate infrastructure—Tehran has enormous problems to overcome in this respect before businessmen can operate efficiently. There is a lack of trained staff particularly in the middle echelons plus very limited back-up facilities essential to a financial centre, such as accountants and lawyers. The stock exchange is only just beginning to gain momentum and insurance and life insurance are still in their infancy. Quite apart from this there are limitations on the activities of foreign banks who cannot run wholly owned operations.

Restrictive policies also limit the potential role of Kuwait. Of the Arab countries outside Lebanon, Kuwait could claim to have the most highly evolved and sophisticated financial institutions. If it had wanted to, Kuwait could have become a much more important centre than it is. Instead a restrictive policy preventing direct participation by foreign concerns in financial institutions severely limits the attractions and potential of Kuwait.

Nevertheless it is clear that Kuwait is destined to play an increasingly important role. As seen elsewhere both public and private Kuwaiti funds have become an increasingly important element in both regional and international investment. For instance private foreign investment is estimated to be now alone worth $6bn.

Equally interesting is to speculate on the effect of moves, much at Kuwait instigation, towards creating a common Gulf currency which would really pave the way for a regional capital market in the Gulf. It is recognised that if this project goes through then the central banks of the Gulf would also have to co-operate in determining a common policy on such things as interest rates. The first signs of a small change are already evident in agreement on a joint Kuwaiti-Bahraini bank which will be the first foreign banking venture to be permitted in the state. Although the Kuwaitis will not admit it, there appears to be recognition in private that Bahrain has stolen a march by "going offshore"—something which Kuwait could easily have done if it had so desired.

Bahrain has been the most aggressive in seeking to establish itself as a regional centre—not surprisingly since it does not have the major oil resources of its neighbours yet can capitalise on its geographical position, good communications, a substantial supply of local trained manpower and an open minded society. The decision to turn Bahrain into an offshore banking centre was announced last September but had been under study for nearly a year. The project has been based upon the calculation that the whole region is a lender of foreign exchange reserves to the Eurodollar market. Until now this money has been placed with banks in Europe, particularly in London, or the U.S. Thus Gulf depositors have had to do their business outside the region, using outside facilities and outside their working hours. Therefore by allowing the banks, the primary takers of the funds, to open offices in Bahrain, at least some of this business will be done there.

Licences

The Bahrainis also hope that with the island's geographic location half way between London and Singapore time zones, trading will be permitted in both places—so filling a gap in the world wide financial geography. So far 26 banks have taken up licences to operate offshore. These include most of the blue chip names such as Citibank, Chase, Lloyds International, NatWest, Algemene Bank and Société Générale. There are also six Arab banks including the United Bank of Kuwait. Already the volume of business is over $1.5bn. On conservative estimates annual volume will be $10bn, the equivalent of Singapore. But unlike Singapore, Bahrain will be primarily a lender. Bahrain operations will aim at the short term market with deposits of up to six months placed with the banks there enabling them to finance part of their loan portfolio, especially in the Arab world.

The offshore banking scheme has set Bahrain apart from its neighbours in the Emirates. The United Arab Emirates, however, is considering the idea of allowing offshore banks to operate—with the two most likely centres being Dubai or Sharjah. There is evidently a feeling that many of those licensed in Bahrain might opt for the UAE, but there is an anxiety not to upset Bahrain.

In many ways Cairo stands out as the "natural" regional financial centre. The fact that it has so far failed to establish itself as such is not for want of trying by the Egyptians. An investment law has been passed permitting foreign banks to operate in a "free zone" carrying out foreign currency transactions. The Egyptian authorities are also aiming to make the Egyptian pound a freely convertible currency. But despite President Sadat's open door policy to Western finance and industry there are enormous obstacles to overcome. Like Iran, there is a large developing economy to service as top priority. From the foreigner's point of view there is also a seemingly insurmountable obstacle of bureaucracy and poor communications to overcome. Together these negative factors, no matter how well intentioned the Egyptians might be and how anxious foreign financial institutions might be to establish themselves, are likely to inhibit Cairo's prospects.

Amman, the other contender, has also sought to capitalise on the demise of Beirut. But despite liberalisation of investment laws and exchange control to permit foreign operations, no banks have yet seriously considered it as an operational base—although other businesses have. In spite of this, Amman's own financial institutions have expanded demonstrating an increased confidence. Last year the stock exchange witnessed seven issues worth $114m.

Overall the picture is a healthy one, despite Beirut's problems. Banking practice and the financial institutions are being strengthened as a direct result of this "Balkanisation." While no one capital is likely to establish itself above the others as a regional centre, there are at least a number of smaller centres, which anyway are probably more manageable by the individual authorities. And this is not to forget that Beirut can still come back into the picture if security is restored.

Robert Graham

Investment operations

PAST two years have seen appearance in the Arabian insula of over a dozen invest-t banking operations, mostly posed of partnerships ween foreign banks and local investors from the ruling lies and merchant com-ities.

part the arrival of these ts has reflected the prohibi-on the establishment of foreign commercial banks er than the Bahraini "Off-e Banking Units") in ait, Saudi Arabia and rain. But at the same time promoters of the new banks been encouraged by what have identified as a gap in market in the area of ium- and long-term finance industry.

ith only three exceptions— being Kuwait Financial re (National Bank of Wash-n and members of the al , al Ghanim and Mazoukh ies), Continental Bank in ain (Continental Illinois Abdlatif Ishak) and a bank under formation in Saudi ia—the new joint ventures perating on strictly Ameri-nvestment banking lines are not engaged in taking its or making loans.

ne of the investment banks t been operating for much 12 months, and none of is yet sure of how its tions will evolve: several have already found themselves doing work that has been rather different from what they originally envisaged. But broadly speaking their activities can be divided into three interrelated categories: the management, underwriting and placing of bond issues; corporate finance project development, including consultancy work and feasibility studies; and, in one or two cases on a much smaller scale, equity issues.

Active

Bond Issues: Traditionally the three institutions most active in the international bond business have been the Kuwait Investment Company, the Kuwait Foreign Trading, Contracting and Investment Company and the Kuwait International Investment Company, which, having substantial funds of their own, do not qualify as investment banks in the typical American sense. These companies have placed the bulk of their bonds with the Kuwait Ministry of Finance, and have done little to promote sales on the local market.

The two institutions that have mounted significant retail operations for foreign bonds so far are Kuwait Financial Centre, which places mainly with members of the ruling family; and the investment banking department of National Commercial Bank (the largest commercial bank in Saudi Arabia), which has had great success in placing two riyal issues, for the Moroccan Government and Spanish Autopistas, with the Saudi public.

It is only in Kuwait that a major attempt has been made to establish a proper secondary market, with the issue by public subscription last November of KD5m. of 6½ per cent. three year bearer bonds by the Industrial Bank of Kuwait.

Corporate Finance and Project Development: Despite the existence of big private-sector surpluses in the Arabian Peninsula countries (and particularly in Kuwait), there is substantial demand for medium- and long-term loans to finance land purchases, property development, and certain types of industrial projects. In Saudi Arabia investors are at present showing enormous faith in such industrial projects as the manufacture of steel bars and mesh, bricks, aluminium frames, and other products which will be needed for the Kingdom's industrial development.

Industrial investors can get substantial cheap loans from the Industrial Bank of Kuwait and the Saudi Arabian Industrial Development Fund: but in Saudi Arabia, where the Fund will provide up to 50 per cent. of a project's capital requirements while investors normally aim at gearings of 75-25 or 80-20, there is generally demand for some 25-30 per cent. of capital requirements to be met by a bank loan.

In both Kuwait and Saudi Arabia, however, long-term finance is in short supply. In Saudi Arabia this shortage stems partly from the conservatism of depositors and partly from the Saudi Arabian monetary agencies refusal to offer any discount or loan facilities: and in Kuwait it stems from the existence of the statutory 7 per cent. ceiling on interest rates. This ceiling makes for a small margin between the rates of interest paid and charged by the banks whenever there are high interest rates prevailing in Europe, and has the additional effect of virtually eliminating the difference between rates paid for long-term and short-term money—thus encouraging depositors with long-term funds to place their money outside the country and inducing the banks to finance business with short-term facilities that are continually rolled over.

It is not surprising, given the small number of banks in the two richest Arabian Peninsula states and their shortage of medium- and long-term funds, that those few cases where local investment banks have managed significant corporate finance operations to date have involved the banks bringing in institutions from outside the region. Thus Oryx Investments (headquartered in Dubai and owned by Arbuthnot Latham, Chartered and leading merchants from almost all of the Arabian Peninsula oil exporters) drew on non-Arab sources for three-quarters of the first Eurodollar syndicated loan it managed for an industrial borrower in the Gulf.

The main role of the investment banks in Arabian Peninsula corporate finance, therefore, may be in carrying out feasibility studies, arranging adequate management for projects and organising the presentation of requests for loans to the industrial development banks and commercial banks.

Equity Issues: Almost all the investment banks are active in putting together joint ventures and partnerships, but in only one or two instances do they see themselves becoming involved in arranging the floating of new companies on the stock markets. These few banks admit, furthermore, that given the inevitable enormous oversubscription of new issues, the management of such issues requires little of the skill associated with the process in London and New York.

There is anyway little demand for outside equity capital by the promoters of companies (even though they demand quite large bank loans), and in those cases where additional equity is required the promotors will generally arrange for contributions from their friends on a private basis. Consequently public companies in the Arabian Peninsula are few in number—running to about a dozen in Saudi Arabia (made up largely of utilities and cement companies), 34 in Kuwait at the end of last year, and a similar number in Dubai—though there the public companies are much smaller than in Kuwait.

Contrast

It seems that the development of investment banking and the development of stock exchanges in the Arbian Peninsula will proceed separately, in contrast to the normal situation in the western capital markets.

In Kuwait there is unlikely to be much connection even between the share market and the bond market. This is partly because ownership of Kuwaiti shares is restricted to citizens of Arabian Peninsula oil States (which means that the transfer system is determined by the investor having to establish his identity before buying) whereas IBK bonds can be bought by anybody: and partly because the trade in shares is managed by somewhat unsophisticated (though very canny) stockbrokers, whereas IBK bonds are traded through the banks and investment companies.

In Bahrain and Saudi Arabia nothing is being done by the authorities to develop formal stock exchanges, and in Saudi Arabia a stock exchange would anyway be difficult to run until there are better telephone communications within the Kingdom.

In Kuwait there has for five years been a stock market development plan, devised by a London stockbroker, but apart from a tightening up of reporting procedures applied to public companies, and the recent hiring by the Ministry of Commerce of a building which is now being divided into boxes to accommodate the brokers offices, little has been done to implement the scheme. Kuwaiti brokers are still not intermediaries in the transactions they arrange: in effect they introduce the buyer and seller to each other, and payment goes directly between the two customers.

Only in Dubai is there now a formal stock and commodity exchange, with 40 members, each of whom is required to pay Drs.5,000 for membership and to provide a bank guarantee for Drs.50,000. However the exchange is a very recent innovation — the trade in commodities began in mid-1975, and that in shares earlier this year—and the scope of its operations is still limited.

In addition to some 30 stocks only four commodities are traded — mild steel bars, portland cement, sugar and gold — and it is the trade in ten tola gold bars, averaging some 3,000 ounces daily, that accounts for over 90 per cent. of combined stock and commodity turnover.

Michael Field

SAUDI ARABIA

Inadequate institutions

ONLY 25 years ago, none of the present banking institutions existed in Saudi Arabia. The National Commercial Bank was there in fledgling form as a private banking company. But the Saudi Arabian Monetary Agency was not set up to serve as a central bank until 1952. A few years later the NCB emerged, the Riyadh Bank was founded and foreign banks began to arrive.

The pace of development was slow, however. The Kingdom was still relatively poor—a budget deficit was run as late as 1969-70—and its finances mismanaged. The Pakistani that Faisal brought in to sort out the parlous state of the Kingdom's coffers in 1958—Anwar Ali—followed a cautious policy. The establishment of SAMA as the State investment authority dates from this point, since Ali was also Faisal's personal economic adviser. Other factors inhibited the pace of financial development too—the traditional Muslim reluctance to pay or charge interest, usually circumvented these days by the device of "commission"; and the Saudi preference for cash transactions. The ban on telex facilities until three years ago for security reasons also did not speed progress.

It goes without saying the State finances have been transformed since October, 1973, though whether the financial apparatus has coped adequately is another question. In 1974-75 Saudi Arabia earned about \$28.8bn. and spent about \$17bn. In 1976 it is reckoned the country's income will be around \$30bn Its international reserves as registered by the IMF were \$23.4bn. in January this year, having risen for the fourth month in a row. The \$142bn. 1975-80 development plan is an attempt to absorb this wealth into productive outlets, but the physical and social bottlenecks—mainly ports and manpower—are already obvious. As recently as 1974-75, project expenditure, although at an estimated SR15bn. (\$4.3bn.) it exceeded the previous year's SR10.3bn., or \$2.9bn., by nearly 50 per cent., was still almost half the sum allocated (SR26.4bn., \$7.5bn.). The same goes for the three years before that.

A small but rising portion of Saudi Arabia's vast revenue is set aside for aid to poorer countries. In 1975 its bilateral concessional aid totalled \$901m., \$40m. more than 1974, but this made only a minor dent in the Kingdom's investible surplus.

At the time of Anwar Ali's death in November, 1974, there was speculation that a State investment corporation was to be set up to handle the investible surpluses. Instead, advisers from Barings and White Weld were seconded to SAMA's investment department and more centralised control of investment policy by the Government was introduced. (SAMA's headquarters is to move from Jeddah to Riyadh in the next few years.) However, the guidelines of investment policy remain basically the same, with a concentration on deposits in the world's biggest banks, on the marketable debt of industrial countries and on high-quality corporate debt. The Saudis have put less emphasis than the other Gulf states on equity and property purchases.

Awash

The problem for the commercial banks—two Saudi and nine foreign—is not attracting funds but finding good borrowers. Saudi Arabia is awash with oil wealth and there are too few institutions to soak it up. Total assets and liabilities of the commercial banks in 1974-75 went up by 55 per cent. from SR5.9bn. (\$1.7bn.) to SR9bn. (\$2.5bn.), and money supply increased by 40 per cent. With the Government responsible for about 80 per cent. of domestic spending, the banks have not so far played a big part in medium or longer term project finance. Their main role is still import financing and loans for construction. But as the pace of economic development increases, there are signs that some of the liquidity is being mopped up. Deposits in commercial banks rose by 55 per cent. in 1974-75, while loans and advances to the private sector soared by 90 per cent.

Even in the private sector much of the project finance is likely to be provided by a Government institution — the Saudi Industrial Development Fund—which was set up in 1974 but has been in full swing for just over a year. The SIDF lends for up to 50 per cent. of the costs of a project. So far, the average on the SR930m. (\$266m.) committed to 55 projects is 42 per cent. For electricity companies, for which there is a separate financing facility, the average is 80 per cent. Such has been the demand for loans, reflecting the dearth of other sources as well as the "commission" of only 2 per cent. on each loan, that the capital of the Fund has been raised from SR500m. to SR3bn. (\$857m.), and the separate electricity allocation to SR1.25bn. (\$357m.). In addition six or seven new project officers have been taken on by Chase Manhattan, which manages the Fund, to help the dozen or so already there to cope with the 160 applications outstanding. These include foreign firms wishing to partner local companies in joint ventures, such as Tate and Lyle for a proposed sugar refinery at Jeddah.

Recent

The lack of other sources of project finance reflects the comparatively recent need for such funds. Much local investment is centred on land and property. To try to satisfy some of the demand, the Government set up the Real Estate Development Fund and raised its capital last year from SR250m. to SR2bn. (\$57m.). The Riyadh-based Arab Investment Company, in which 14 Arab states are partners, is meant to engage in local ventures outside the property sector, as well as encouraging development in the poorer Arab countries. The biggest project it is involved in so far in Saudi Arabia is a SR80m. (\$23m.) luxury hotel to be built in Riyadh.

Other State institutions offering domestic credit are relatively small fry. The Agricultural Bank's lending still reaches only some 5 per cent. of farmers. The Saudi Credit Bank lends to low-income citizens for needs such as getting married (71 per cent. of the SR 28.4m. or \$8.1m. lent by March, 1975) or repairing homes (28 per cent.)

A few local embryonic merchant banks have started up—notably the Saudi Arabian Investment Company, Xenel Industries and the Saudi Capital Corporation—but their main role so far has been advisory. Foreign banks are known to be eager to get into the field, mostly in partnership with local interests. Chase Manhattan last year got permission from the Federal Reserve Board to hold 20 per cent. of a proposed Saudi Arabian Investment Bank in Jeddah. Industrial Bank of Jap[an] Schroders were rumoure[d] possible participants, to[o] Boston already runs an [invest]ment department at the N[ational] Commercial Bank. H[owever] the Saudi Government's [attitude] on foreign bank operat[ions is] not clear. There is speculation about "S[audisa]tion" of the nine foreign [banks]. A tenth—the National B[ank of] Pakistan—has already formed itself into th[e Bank] al-Jazira, with 65 pe[r cent.] Saudi participation, thou[gh this] may be more a reflec[tion of] the close relations betw[een the] two Islamic countries. [Other] banks are rumoured t[o have] started talks with SA[MA on] local participation, b[ut no] developments are likely [for some] time, and one or two, [and] possibly First Nationa[l City,] which already enjoy [the] privilege of being th[e first] Western bank to ope[n in] Riyadh (Banque du Cai[re] too), may be able to [avoid a] Saudi stake altogether.

Meanwhile, the two commercial banks and [SAMA] have begun to expan[d] operations overseas. Th[e Saudi] International Bank—5[0 per] cent. SAMA and 2.5 p[er cent.] each NCB and Riyad [Bank] has just opened in Lond[on as a] fully-fledged merchant [bank]. Morgan Guaranty holds [20 per] cent. and provides mana[gement] services, and five other [inter]national banks have 5 p[er cent.] stakes. The NCB also ha[s] stakes in the Europe[an Arab] Holding and the Co[mpagnie] Arabe et Internationale [d'In]vestissement, both ba[sed in] Luxembourg, and the [Riyad] Bank has a share in th[e Paris-] based Union de Banques [Arabes] et Francaises.

The NCB has also be[en a] modest participant in [interna]tional bond issues, co-m[anaging] over \$200m. worth in 19[75, most] of them in Saudi riyal[s].

Peter [...]

EGYPT

A transition period

EVERY MORNING outside Cairo's biggest offshore bank, the Arab International Bank, dozens of its 40,000 account customers wait to slip in before the counters get too crowded. A few blackmarketeers follow them to hang round the lofty banking hall discreetly offering to buy dollars as the customers leave.

In the past six months what are known as "currency leakages" have changed in pattern as the first foreign banks have opened for business—banks such as American Express and First National City Bank, foreign exchange branches and Chase National Bank, a joint venture bank dealing in Egyptian and foreign currency.

The extent of black currency has probably increased steadily as the Egyptian middle class has indulged itself with consumer goods in the past 12 months, but it would exist with or without these new outlets. The police watch the black marketeers and occasional arrests are made. But the money system in Egypt is in transition and the authorities tacitly acknowledge that a black market is inevitable in a country with a protected and overvalued currency.

The entire banking system in Egypt is in transition with legislative, regulative and actual changes taking place so fast that the pattern seems to change month by month. President Sadat has pointed out the direction of his economic liberalisation programme but the banks, both Egyptian and foreign, have to feel their way along as they deal with the practical applications.

Joint

The theory is easy. In June 1974, Law Number 43 on the Investment of Arab and Foreign Capital and Free Zones grants Egyptians and foreigners the right to undertake banking business in Egypt in joint venture merchant and investment banks and branches. Application, however, is another matter. As with any new law the fringes are speckled with grey areas of uncertainty. Law 43 is no exception. One oversight held up the opening of Chase National despite the forceful push given to this joint venture by Mr. Sadat's friendship with Mr. David Rockefeller of Chase Manhattan. It was discovered at the last minute that regulations forbade National Bank directors from sitting on the Board of another bank, not even their own new joint venture. Changes were rushed through and Chase National opened on September 15, 1975.

Chase National already has 78 employees, a second branch on the way and a third under study in Port Said. Most of the business, for both foreign and Egyptian account holders, is in hard currency, though observers estimated one-third of business is in local currency.

Close rivals for the accounts in foreign currency are American Express International—which has a foreign currency branch and is setting up a joint venture bank (Egyptian-American Bank)—and First National City Bank. Citibank has collected fewer accounts than Chase National since it opened last year, but as a Cairo branch office of Citibank, its manager Mr. Jack Goodridge has his eye on the Arab business from Saudi Arabia and the Gulf, by offering them facilities within Egypt and outside exchange control.

Mr. Goodridge is one of the bankers in Cairo who has "got on with the job" even when some aspects of Egypt's fast developing banking regulations are hazy. He explained: "We are absolutely consonant with the objectives of the authorities, and by opening a branch here we have added a meaningful addition to our network." Other bankers, particularly some of the 17 foreign representatives from commercial banks who have appeared in the past 12 months, seem less keen for the banks to move while interpretations of rules and practice remain uncertainly defined.

Senior Egyptian sources and foreign bankers however maintain that Mr. Sadat wants the bankers to push ahead now and clear up any loose ends as they go along. Sources at the Central Bank—which itself has a new status under legislation from July, 1975, making it an independent body with independent control of monetary credit and banking policy—convey a strong impression that the foreign bankers should be encouraged to adopt a pragmatic approach.

Foreign money is flowing in to the foreign commercial banks much faster than they are lending. Inflows—now that Egyptians can hold foreign currency without having to account too closely for its origins—come from the black market and to some extent from accounts from the fast expanding and profitable Arab International Bank (AIB), from capital and salaries from abroad, and from licensed Egyptian exporters.

Some Egyptians are casting a wary eye on the role to be played by foreign banks in Egypt. Egyptian bankers have raised eyebrows privately about Chase National's practice of charging 1 per cent. on dollars withdrawn from accounts in cash over the counter, wondering if this profitable practice could not be interpreted as taking a discreet rake off from dollars on their way back to be sold on the streets.

Guiding

A banker with the Wholesale Arab African Bank, the first multi-Arab international bank which was set up as an offshore merchant bank in 1964 with its head office in Cairo, commented "foreign banks should be a means of guiding foreign capital into investments here. The job should be to perform the true recycling process—identifying and promoting viable projects in deficit countries and presenting them as a package to investors.

The Arab African Bank (AAB) concentrates on corporate banking and project finance aimed at free income. In 1972 AAB branched out from foreign trade financing (it has become known for its expertise on grain financing) and with assets last year of £402m. could be expected to hike its £10m. capital this year.

Arab International is understood to be planning to go public in 1976 together with a revaluation of its capital to balance sharp increases in the value of investments in land to be used for hotel building.

While the commercial foreign banks are financing a chunk of consumer imports, banks like Cairo Barclay's International (an offshore venture of Barclays International and Banque du

CONTINUED ON NEXT PAGE

LEBANON

Beirut eclipsed by civil war

SYRIA'S mediation going badly awry, one y speculate about the s for Beirut as a finan- re and its chances of ng from the damage has suffered during the t of civil conflict. Like perity of the country ole, Lebanese banking seemed peculiarly le. Yet it managed e a number of crises, and external. Now le can tell what the rospects of recovery

meantime, many of reign banks which d to gain a foothold in the 1972-74 period, ver-increasing sums for a existing local houses, wondering why they and regretting their nt. Those that only set sentative offices have e to move elsewhere too much inconveni-

ıld be a mistake to te the importance of n the wider context Middle East. It never ed developing into a market and had only ed significance as a financial centre. In er respect Beirut had in relation to the oil of the region resulting escalation in prices— which increasingly by- t—although it profited y. Nevertheless, it markable phenomenon.

dly

the mid-1950s to the s the Lebanese bank- m grew rapidly largely ository for the private f the region and also tive capital from other ountries that were by bank secrecy laws, of exchange control liberal policy of the nerally. Increasingly, osits were swollen by ater prosperity of the itself.

a mushroom growth d by proper super- prudent regulations out the reinforcement itions specialising in m credit. Then, in e the shock of the Intra Bank, account- 13 per cent. of total which had committed al error of borrowing lending long, as well ng in real estate. By e was a total of 93 rating in the country. ollowed the much- forms and the estab- of the High Banking n which set about the number of banks mpelling liquidations raging mergers. The as reduced to 74 in It was decided that sion should be given ning of new branches n specialised institu-

On this more stable basis the recovery after the June War of 1967 was steady to the point that deposits in Lebanese banks passed the pre-Intra crash level in 1969. From the beginning of 1970 to the end of July 1975, when there had been no reduction in the gross total, they increased from £L4bn. to over £L9bn. It was a period which saw the foreign banks and those with an overseas shareholding become more and more predominant—despite the efforts of the Central Bank to freeze the trend to the point of instructing the larger operators to keep the level of their deposits down. At the end of 1974 18 wholly-owned branches of foreign banks accounted for 38 per cent. of total assets and 24 with majority participation by overseas interest another 39 per cent. The post-Intra phase saw a progressive foreign takeover of the system.

Impressive though the clamour for a stake in Beirut was and also the overall increase in business up to the civil war, the Lebanon did not become in a significant way either a provider of funds for the capital-hungry outside the Arab world or a magnet for the surplus money of the oil-rich Gulf. Its internal development as a capital market was restricted by the lack of a secondary market, the absence of negotiable debt instruments and limited scope for rediscounting paper, which was not helped by the reluctance of the Parliament to allow the Government to issue more Treasury bills. A little progress was made, however, towards the provision of longer-term credit with the establishment of the Industrial and Tourism Development Bank with a 60 per cent. majority State participation. There also emerged merchant banking ventures like the Bank of Investment and Finance (INFI) and the Arab Finance Corporation, both of them consortia between Lebanese and foreign interests.

Nervous

In the period up to 1971 the Lebanese banks, encouraged by high interest rates on the Eurodollar markets and nervous of the instability of the region, placed a considerable proportion of their funds abroad. With the downward turn of interest rates, uncertainty on the major currency markets and the strengthening of the Lebanese pound the trend was increasingly to repatriate the money and lend to the local economy where booming activity created a healthy demand for credit.

In the three years from the end of 1971 to the end of 1974 credit rose at a much faster rate than deposits. In 1972-73 a handful of loans in Lebanese pounds were provided to foreign borrowers, but the Beirut banks' participtation in the international bond market has generally been of marginal importance. In the early part of 1975 the Arab Finance Corporation was prominent in leading and co-managing some important issues, but has not been active since.

While the increase in deposits in the five years before the outbreak of civil war was great, a very much smaller proportion of them than many observers assumed flowed directly from the oil states. In large part they resulted from the country's own booming economic conditions—which, of course, owed much to tourist spending and property purchases of oil-rich Arabs as well as Lebanon's own profits from the regional boom. Substantial funds also flowed from Lebanese expatriates living in Africa and Latin America who were encouraged by the apparent stability of the country and strength of the country. However, before the crisis "non-resident" deposits only accounted for 20-25 per cent. of the total—though this fact is not a reliable indicator of assets held by outsiders because one only requires an address to qualify as a "resident."

In their attempts to attract foreign money Lebanese banks were handicapped by the 7 per cent. reserve requirement on deposits in foreign currencies, which were reduced in the middle of 1975 and the local tax on interest rates and the deposit insurance scheme which applied to all deposits. Ironically, last March—just before the conflict—legislation establishing a free banking zone was passed and exempting foreign currency deposits from these discouraging obligations. This was generally regarded as an overdue measure to enhance Beirut's ability to become an international financial centre.

As it was, the greatly swollen petroleum revenues at the disposal of the producer governments—a large and growing proportion of the total by-passed Lebanon. From this point of view, certainly, it was difficult to see the justification for the clamour from international banks to get a foothold in the Lebanon by buying into small locally-owned banks. It gave them no automatic entree to the rich Arab hinterland.

Advanced

Despite its limitations, the banking system could claim to be the most sophisticated and advanced in the Arab world. It is now impossible to assess the damage except in terms of the physical destruction suffered—most dramatically by the British Bank of the Middle East (estimated cost $7m.) which also had its vaults plundered. Most had headquarters on Riad Solh Street in the downtown area that was the scene of the heaviest fighting and were forced to close for nearly half of the past year.

When after the banks opened on February 15—before being forced to shut their doors again this month—the system emerged paralysed with the banks able to do little more than accept deposits and pay checks on current account. The problem of loans, credits and overdrafts was left to individual banks on the basis of mutual understanding. But many businesses—specially those whose premises were destroyed—were patently unable to pay their debts, let alone interest charges.

Whenever the banks reopened during the past six months it was only to pay checks and arrange transfers which normally amounted to more than they took in deposits. Up to the time of the last ceasefire in January an estimated £L1.7bn. was withdrawn, £L900m. for transfer abroad. By injecting into the system foreign currency, mainly dollars, from its ample foreign exchange reserves, the Central Bank was able to keep the Lebanese pound at a parity of 2.42 to 2.48 to the $. In doing so, it was helped by the big inflow of funds transferred by such countries as Iraq and Libya to assist the combatants.

With the last resumption of business on February 12 the Central Bank waived the liquidity ratio requirement (8 per cent. of total deposits) and opened its discount window for banks' commercial paper in anticipation of heavy demand.

About four weeks later additional withdrawals totalled £L800m., according to Dr. Elias Saba, ex-Finance Minister and now presidential adviser. He estimated half would return within two months. Not surprisingly, some foreign bankers reported an unusual run on deposits by non-resident account holders.

Before the latest crisis the Government had already made efforts to salvage the situation. Revealing details of its reconstruction programme, it let it be known banks which suffered damage would qualify for cheap loans at 2-3 per cent. over a 10 to 20 year period. It was also considering extending tax exemptions to beyond the seven-year period allowed at present.

Over a dozen foreign-controlled banks have moved their staff to other centres such as Athens, Bahrain, Cairo and Amman. Nearly all the several scores of senior executives who manned representative offices in Beirut and found it such a convenient centre to do business throughout the region have left. At least three Lebanese banks (Credit Libanais, Banque du Liban and d'Outre Mer and Banque Liban-Francaise) have applied for permission to set up branches in Paris where so many rich Lebanese have taken up residence and bought property. It is hard to see how banking in Lebanon can ever be the same again.

R.J.

gypt

CONTINUED FROM PREVIOUS PAGE

oreign exchange only) ant bankers like the renfell and Egyptian ompany and a host of their eyes on project are finding it slow

rojects and foreign s in Egypt are bogged ureaucracy it is easier ike the National Bank habi, a branch office ned last summer for usiness only, whose osit total comes from deposits of $25,000 to siness for the import r goods, than for that y other to get investects off the ground.

banking animal find- distinctly quiet is the ranch. Permitted to hout capital with its ily outside Egypt in es. Manufacturers Trust's experience es adequately how a iness can get tangled reaucratic machine. all set to go on April ut in the changeover Hegazi Cabinet the their licence was by the new incum- Wadie Hanna of the ova Scotia feels his nk has set up before n economy and com- s can handle their its.

ance the foreign tax and employment given to the foreign eping changes were o the domestic banking system in July 1975. Egyptian banks were permitted to introduce pay incentives and got exemption from laws governing employment in the public and government sector. This was an effort to stop a possible drain of the country's best middle level bank workers to the foreign sector.

Abolished

At the same time a ministerial decree abolished the three-year-old specialisation system under which Egypt's Big Four handled one aspect each of the economy. (National Bank: foreign bank; Bank Misr: agriculture; Banque du Caire: construction; Bank of Alexandria: industry.) The National Bank, Egypt's biggest, with profits of £E22.5m. in 1975 has lost its trade monopoly but still handles 85 per cent. of all foreign trade. Bank competition is now open in textiles, foreign trade, agriculture and industry.

The former monopoly, and present dominance, in foreign trade has alone been responsible for National Bank's soaring profits with turnover pushed up by the increase in commodity prices.

The introduction of competition into the domestic banking system however will take many years to streamline the local banks, and they cannot compete in efficiency with foreign banks in day-to-day foreign transactions.

But the local banks have a fresh outlet for their under-used expertise developed in Egyptian banking through the joint venture banks. Chase National has been mentioned. Soon to open for business should be Bank Misr's venture with First National Bank of Chicago, Banco du Roma and UBAF which like Chase National will handle hard venture with American Express International.

Savings through the domestic banks are hampered—and joint ventures operate on local regulations—by Egypt's low interest rates recently raised to a maximum of 7.5 per cent. on lending and a maximum 5 per cent. on deposits.

Another debate focuses on convertibility of the Egyptian pound. A floating pound is opposed by those who fear a plunge to less than half the pound's official value while inelastic trade patterns would deny Egypt the chance of taking advantage with boosted exports. Those in favour say the pound should float to break down the barriers of the complicated exchange system. They say that this would facilitate the inflow of foreign investment. Some bankers believe the incentive rate (Egypt's tourist or incentive exchange rate was recently raised from the official rate—39 piastres a dollar—with a 50 per cent. premium to official plus 65 per cent. or 63.5 piastres) should be floated and exchange control abolished to encourage free flow in and out of foreign currencies.

The incentive premium hike was an effort to boost the collateral market which had been seriously eroded by the free black market since trade regulations permitting the free private import of goods up to £E5,000 in value. It remains to be seen whether it will succeed or will push up the black rate from its present 73 piastres per dollar to 79 or 80.

The depth of Egypt's black market is a constant topic of speculation in banking circles, since it is germane to bankers' loan policy for local businessmen who must buy black while current exchange control is tight. Dr. Nazmi Abdel Hamid, of the Arab International Bank and a former governor of the Central Bank, believes the depth is exaggerated, and guesses that street circulation of hard currency has risen from an estimated $2m. in 1971 to $5m. to-day. Mr. Ramses Hanna, of the National Bank of Abu Dhabi and a former Egyptian National Bank man, however, maintains "judging by the inward flow I think at least $10m. circulates in the hands of the Cairo public."

Meanwhile the discreet men pushing the dollar from bank to street to bank are a symbol of Egypt's current period of monetary transition and of a banking system adapting and developing amid new economic conditions.

Michael Tingay

MIDDLE EAST BANKING AND FINANCE

KUWAIT

Accumulating surplus wealth

WITH an oil income far beyond what it can absorb domestically, Kuwait goes on inexorably accumulating surplus wealth and growing as a financial force disproportionate to its size and population. The value of its public investment abroad nearly doubled over the past year, a year which saw the Ministry of Finance more active than ever in the purchase of bonds, equities and real estate. The State's own institutions have continued to expand both the size and the scope of their business, not least in leading and co-managing international bond issues. Kuwaiti private capital has gone on seeking profitable opportunities abroad, particularly in other Arab countries. But Kuwait remains a long way from developing into a fully-fledged capital market or a financial centre for the region as a whole, although some steps have been made in that direction.

Kuwait was one of the handful of OPEC members which could look with equanimity at the fall in demand for oil last year. Although its output fell by nearly 20 per cent. in 1975, and revenue by 11-12 per cent. —from $8.2bn. to about $7.3bn. —it was still able to record a surplus of over $5bn. and transfer, after considerably increased aid disbursements, up to $4bn. to the State's General Reserve. The value of the assets in this fund are now reckoned to be worth over $12bn., four times the figure three years ago, quite apart from the gold and foreign exchange reserves held by the central bank. Income from the State's investment fund may now be running at a rate of $1bn. or so annually, a very significant supplement to the oil revenue.

Foreign

Counted in the General Reserve are the State's shareholdings in local companies, but the bulk of the funds are foreign assets, which a year ago were valued at 1.87bn. Kuwaiti dinars, or $6.31bn. In the past 12 months the total foreign investment has increased very substantially both as a result of appreciation and new purchases. Included among the assets handled by the Ministry of Finance are subscriptions and loans to the World Bank and the International Monetary Fund, the Kuwaiti dinar bonds issued a few years ago, contributions to development banks and funds, and the paid-up capital of the Kuwait Fund for Arab Economic Development, which amounted to KD350m. at the end of January. However, bonds, equities and real estate have probably risen appreciably as a proportion of the total.

There has been no single transaction to compare with the purchase of a stake in Daimler-Benz in 1974, but Kuwait has nevertheless been steadily building up its ownership of Western equities. In addition to eight existing portfolios, four new ones have been started in the past year or so in France, Belgium, and the Netherlands by major banks and in Japan by the biggest securities company there. A holding in many companies is understood to have been acquired as the result of direct negotiation rather than on the market—including shares of 10 per cent. or more in British companies, which has not been publicised. In real estate, again, there has been no single deal like the takeover of St. Martin's Property Corporation, but in this area of investment, too, Kuwait has been extending its ownership, especially in the U.S., where it has portfolios managed by the Bank of America and Morgan Guaranty.

Probably the biggest expansion of all has been in the State's holdings of bonds in response to higher rates of interest. No precise figures for placements by the State are available. However, some indication of the scale of purchases can be gleaned from the issues in which Kuwaiti institutions have been leaders or co-managers. They have been the channel favoured for purchases by the Ministry of Finance, which has in this way been able to benefit the companies concerned.

Foremost among them in 1975 was the Kuwait Investment Company which led eight issues worth $320m. (including five publicised private placements of $235m.) and co-managed another 14 with a total value of $341m. The Kuwait International Investment Company (privately owned) followed, taking the lead with eight issues worth $119m. and co-managing another 13 valued at $328m. The Kuwait Foreign Trading Contracting and Investment Company (80 per cent. State owned) led four issues amounting to $79m. and co-managed another 11 of $282.5m. Of the $1.5bn. involved in all these flotations $151m., or a tenth, was in Arab currencies. In addition the Kuwait Financial Centre, has started in the bond business, concentrating on sales to private individuals, not the least members of the Ruling Family.

The shareholdings—and expertise—of these Western interests represent a small modification of the principle of keeping all economic and financial activity under exclusive Kuwaiti ownership. Recent agreements with other Arab States of the Gulf and Saudi Arabia giving reciprocal rights to own property and do business may ease the door open further. Confident in its greater sophistication, Kuwait sees in them a means of expanding its own activity rather than allowing competition in the State itself.

As it is, however, Kuwait watched with some unease Bahrain's offshore banking initiative, fearing that it might have missed out in some way. The almost exclusive restrictions barring foreign institutions have been one major reason why Kuwait has not been able to develop into what could be regarded as a financial centre serving the region, let alone an international one. A great deal more liberalisation will be required if the State is to fulfil either aspiration.

Another limitation on its development has been the lack of a secondary market, negotiable debt instruments or, eves the means of raising medium- and long-term credit. Here a gap is now being filled by the Industrial Bank of Kuwait, which last year issued KD5m. of three-year bearer bonds with an interest rate of 6½ per cent. Well provided with KD100m. capital by the Government, the IBK did not need the money and floated the loan as a deliberate act of policy designed to assist the creation of a secondary bond market. The Central Bank assisted by declaring the bonds as a liquid asset of the commercial banks. With a 25 per cent. liquidity ratio imposed upon them, the banks were pleased to take up over one-third of the issue. The operation proved very successful with trade in the bonds having reached about KD1.5m. early last month. Having only started its lending operation last year, the IBK is planning more bond issues.

Maximum

Longer-term lending is constrained by the 7 per cent. legal maximum interest rate originally imposed by the National Assembly, which has defeated Government attempts since 1972 to abolish it. With deposit rates bumping up against the ceiling the limit is in practice exceeded through the charging of commissions and administrative fees. As Mr. Hamzah Abbas Hussein, Governor of the Central Bank, points out, it also has the effect of putting pressure on liquidity when interest rates obtainable on the Euro-currency markets are high. In this situation the five commercial banks feel squeezed by the required liquidity ratio of 25 per cent. of deposits, a quarter of which has to be kept in Kuwaiti dinars.

They remain large holders of foreign assets, which totalled KD585.1m. (nearly $2bn.) last November, but this was only a 4 per cent. rise on the KD561.4m. recorded at the end of 1974. In the same period outstanding credit to the private sector increased by 26 per cent. from KD355.3m. to KD449.6m., reflecting the booming economic activity in the State itself. Short-term loans and dinar deposits with a limited average maturity of only 2½-3 months have been the recent rule.

The National Bank of Kuwait, the Bank of Kuwait and the Middle East, the Commercial Bank of Kuwait, the Gulf Bank and the Al Ahli Bank have all prospered and their shares have been highly valued. The limit set by the Government to the number of houses operating in this rich market has helped to ensure good profits. Recently the State has taken the initiative in the formation of a sixth, the Bank Burgan, and has also gone to extraordinary to ensure widest possib of share ownership.

No sooner had plan entity been announce furious trade in "natio —the entitlements Kuwaiti citizens to sub any new share issue—b a result the Gov banned the sale of lowered the share pr KD10 to KD1, redu number each individu subscribe to from 1,00 50, and decided to rais stake in the new e from 20 to 51 per ce a lively forward mark shares still developed.

Foreign investments vate citizens, members of the Ruling are currently—though worth anything up However, faced with share values and fluctuations, Kuwaitis recent years tended centrate on the sizeat to be made speculat on real estate at home stocks of local compan share market is as ac speculative as ever, wi generally bearing little to real assets or At the end of 1975 th value of Kuwaiti publ holding companies KD1.1bn., of which the ment share was

Over the years Ku developed a limited sound and strong finan tutions able to play part in the deploym State's wealth abro Government has hel directing bond purcha other transactions Kuwaiti banks and in companies. In the Kuwait has acquired a cation in financial ma gained international ex far greater than that of other Arab oil pr countries of the Gulf. very substantial lender yet to devise the ways o ing outsiders' funds which it cannot adva ambition to being an tional financial centre.

Richard

IRAN

Hectic growth comes to an en

OVER a 12-month period the Iranian economy has swung sharply from hectic growth to sudden and in some instances harsh restraint. The banking system has had to bear much of the strain—first of high growth, then the slow-down which began to be felt in October. The banks have had to cope with a tremendous surge in the demand for credit, the problems created by congested ports and severe price control, and latterly of literally hundreds of medium and large companies whose bills with the Government were blocked from October through to February.

The banking system has emerged, perhaps chastened, but certainly wiser for the experience. The main problems for strengthening the system have been identified—the need *to improve the inter-bank* market, create good communications both internally and externally, and raise the level of middle management. The hope is that, with a more even growth in the economy of 17 per cent. over the coming year, the system will be able to settle down to solve these problems which will pave the way for Tehran becoming a fully fledged financial centre.

Normally the first part of the year is a slack period, with credit demand and budget spending picking up after the first quarter and the main impact felt in the last quarter —from January to March, the Iranian year ending on March 21. But in 1975-76 this pattern was upset. In the first quarter Government spending was up 208 per cent. on the same period the previous year. The demand for credit by the private sector was such that 40 per cent. of the entire year's increase allocated by the Central Bank had been used up. In previous years no more than 19 per cent. had been utilised during this period. Some banks had even used up virtually their entire year's credit allocations. To secure extra funds the banks began looking abroad for short-term borrowing.

In mid-July the Central Bank stepped in with a series of measures to absorb excess liquidity and curb short term borrowing abroad by the commercial banks. To discourage a rush of short-term borrowing abroad by the commercial banks the ratio of their obligatory deposits placed with the Central Bank on such borrowings was raised from 15 per cent. to 30 per cent. However, the authorities deliberately exempted the specialised institutions such as the Industrial Credit Bank and the Industrial and Mining Development Bank, permitting them to go to the international market for long-term finance.

The 30 per cent. deposit requirement for commercial banks did put an effective stop on their short-term borrowing, and, given the current economic climate, it seems the authorities are unlikely to lift this for the moment. In effect it means that the bulk of the foreign borrowing will now be done by the specialised institutions. The Industrial Credit Bank, the main foreign borrower over the past two months, has an approved foreign borrowing programme of $300m.

Overall the budget anticipates a foreign borrowing requirement of $1.1bn. But informed banking sources estimate that this will be nearer $1.6bn. However, it is still too early to speculate how oil revenues will evolve and indeed how development projects will go ahead. For instance, it was widely thought that one of the principal borrowing requirements in the financial year just ended would be some $600m. for a joint Irano-Japanese petrochemical complex. But this never materialised and the project seems unlikely to get off the ground in the coming year. As it was, Iran's borrowings on the Euro markets in 1975 were only $315m.

To absorb excess liquidity, the minimum reserve requirement on the increase in demand and savings deposits placed with the Centr by the commercial ba raised in July from 12 p to 15 per cent. At th time the ratio of n deposits which the ban obliged to invest in gove bonds was raised from per cent., thus prevent commercial banks fro tinuing to supply sh funds to the private sec making available more for medium-term invest

The Central Bank wa theless obliged to pe small increase in lending commercial banks to the sector. Originally the had been fixed at 35 p or 260bn. rials ($3.7b the ceiling was raised to rials 300bn. Althoug figures for the year March 21 are not yet a it is provisionally es that total credit extende private sector will b 360bn. ($5.1bn.). This that the Central Bank even further to demands commercial banks to i their credit.

Traditionally the com banks have supplied over cent. of all the banking credit. This predomina being slowly reversed growing role of the spe banks such as the Agri Development Bank and This is partly because th mercial banks are neith position to provide lo finance nor are they wi do so, and partly becau Government policy to specific instruments for trial and agricultural Credit by the specialised has grown in three year a mere IR 25bn. to rials 110bn.

On the deposits side was a healthy increase, virtually in parallel wi demand for credit. deposits rose 43 per to IR83bn., savings d rose 44 per cent. to IR and time deposits rose

Continued on Next P

ALGERIA

Foreign debt rises

[1]976 Algerian Budget fore[casts] [fro]m oil revenue of 15bn. [Algeri]an dinars (about £2bn.) [which] amounts to 62.5 per cent. [of tota]l revenue. This is based [on a] selling price of $13.36 a [barrel], although current selling [price] is between $12.70 and [...]. Oil production is ex[pected] to be slightly more than [last ye]ar's 42.6m. tons, probably [...] 46m. tons. SONA[TRACH], the Algerian National [Oil an]d Gas Company, says all [ava]ilable for export for 1976 [is alr]eady either sold or ear[marke]d.

[Exce]ptionally, for an OPEC [countr]y, Algeria has no surplus [revenu]e; on the contrary, the [trade] balance deficit is esti[mated] at either £500m. (IMF [...]e) or over £1bn. by [indepe]ndent observers in Wash[ington].

[Furt]her, Algeria has con[tracted] sizeable debts to pay for [its indu]strialisation programme, which is proceeding slowly. Overall foreign debt is about £3.5bn., five times more than it was in 1971. Foreign Exchange reserves held by the Algerian Central Bank are around £500m.—mostly in dollars and D-marks.

Oil accounts for more than one-third of Algerian gross domestic product and nearly 90 per cent. of its foreign exchange earnings.

Algeria has been a motor force behind the North-South dialogue between developed and developing countries and President Boumedienne was an early and outspoken advocate of a "new world economic order" whereby developing countries get a greater share of the world's wealth.

Algeria also has urged OPEC to consider projects that would make it less *dependent* on Western Finance and Western economies. It is in favour of an Arab bank and possibly of trying to detach oil prices from the U.S. dollar in order to measure them against a general "basket" which would take inflation into account. It is an Algerian thesis that Western monetary disorder is primarily paid for by Arab and developing countries and that OPEC should try to achieve more financial autonomy. This is directly contrary to the Gulf States' policy of placing their surplus in Western countries in order to carry more weight in world finance and monetary policies.

SONATRACH plans to increase its exports of refined products. Algerian refining capacity is now 5.6m. tons from *four refineries. Four more* refineries are under construction or in the advanced planning stage. The goal is to exceed 25m. *tons of refined products* by the 1980s, with most of this being exported. Condensate exports will also increase when new gas treatment facilities at Hassi R'Mel come on stream in 1977. None of this, when and if achieved, will provide Algeria with any surplus revenue since it will all be spent on industrialisation or agricultural development projects, food imports, debt servicing and repayment. However, it represents hopeful future revenue sources.

True to its position as the "maverick" in the OPEC herd, Algeria is an aid receiver rather than distributor. The United Nations has financed some Algerian agricultural projects and both Saudi Arabia and Kuwait have assisted Algeria with sizeable, low interest loans. However, the latter sources may have dried up, for political reasons. Saudi Arabia, fearing an extension of socialism in the Arab world, is backing the Moroccan takeover of the Spanish Sahara and disapproves of Algerian support for the Saharan Arab Democratic Republic. Kuwait is likely to line up with Saudi Arabia and Algeria will have to turn to Western sources and pay a higher interest for loans needed this year.

Algeria does want to attract investment from industrialised States, but these have to conform to Algerian law. Companies investing in Algerian industry such as the oil and gas industry and peripheral *manifestations like plastics,* fertilisers, etc., are limited to a maximum 49 per cent. stake in a joint company. A number of foreign firms are operating in this way in Algeria and, after a difficult start, most seem to find it sufficiently profitable to stay.

Credit

Algerian banks are all nationalised. The Central Bank *is the issuing institution,* controls credit and banking operations and has the monopoly of managing Algerian foreign assets. Three other banks, the Foreign Exchange Bank of Algeria, the National Bank of Algeria and the Popular Credit Bank of Algeria cover all commercial banking operations, take deposits and provide financing and credit for investment. The Algerian Development Bank is the co-ordinating centre for financing public enterprises, disposes of capital made available by the public treasury and may draw on loans from foreign governments and other sources. Banking in Algeria is subordinate to Algerian Government policy.

Algeria has closer and more important connections with American banks than with the City of London. As a former French colony, the first years of Algerian independence were dominated by French financial interests but Algeria is turning more and more to the U.S., the Ex-Im. Bank, as well as a number of American private banks, have loaned money to the Algerian Government and to national companies. Algeria is presently seeking a $400m. loan from the Bank of America.

Again, as far as industrial ventures are concerned, Algeria is the opposite of other OPEC countries. All important industries are nationalised in Algeria and run by the State. This includes banking, insurance, transport (air, road and rail) metal *industries and mining,* oil (every aspect up to retail supply) gas, electricity, telephones, nearly all food processing, truck and industrial vehicle assembly. Nationalised companies also produce large quantities of cloth, shoes, pig iron and steel, freight cars, chemicals, electrical products etc. The private sector is limited to small operations, mainly *in textiles* and consumer goods.

Algeria still has a good rating in the world credit market, but there is clear evidence of a declining trend.

Because oil prices have dropped below 1974 expectations and there has been no increase in oil production. Algerian oil revenues have been lower than projections. On the debit side expenses have increased sharply. Because of both unsatisfactory agricultural production and a 3.5 per cent. demographic rate, one of the world's highest. Algerian food imports are rising and the cost of these and the capital goods Algeria imports for its industrialisation programme has also gone up rapidly, resulting in a balance of trade deficit of between £500m. and £1bn.

This of course means that Algeria must seek financing on all capital import purchases. As the level of borrowing mounts, following the development plan, lenders become more reticent.

The prospects are, then, stable or slowly increasing, earnings from oil and gas over the next years confronting sharply increasing expenditure, already in excess of earnings.

Eirene Furness

Iran

CONTINUED FROM PREVIOUS PAGE

cent. to IR113bn. This rise occurred even though interest rates have been kept low—7 per cent. for savings deposits and 9 per cent. for time deposits. However, the picture is an uneven one because so much business is concentrated in the hands of a few banks. There are the so-called big five commercial banks—Bank Melli, Bank Saderat, Bank of Tehran, Bank Sepah and Bank Omran. Between them these five banks account for something like 75 per cent. of total customer deposits.

The picture is even more lopsided when one realises that Bank Melli and Bank Saderat between them have 4,500 of the 7,500 bank branches throughout the country. With such a strong deposit base concentrated in so few hands the 18 other commercial banks often find themselves short of cash, a shortage accentuated by the relatively unevolved inter bank market.

A new problem which all the commercial banks had to face in the latter part of the year was over import financing. This traditionally has been a major part of bank business. Import credits have usually been financed on a three to six months basis. However, with the congestion in the ports and waiting times of up to 120 days, importers were late in repayment. Thus the banks had to turn to the Central Bank to supply considerable sums of bridging finance. With the downturn in imports in 1976 end of the year and easing of port congestion this has now become less of a problem.

It is generally accepted that the commercial banks are *still* under-capitalised. Banks are permitted to lend up to 15 times *their capital.* As a result of a series of capital increases over the year all the banks now have a minimum capital of rials 2bn. ($28.7m.). But even this is considered too low and the Central Bank envisages a further series of capital increases in the near future. This is also considered desirable in view of the Government's policy to spread share ownership.

At present 12 out of 32 banks have foreign shareholdings. Foreign ownership is limited to 40 per cent., and there has been no indication that this will be reduced despite the law for wider share ownership that restricts foreign industrial ownership to 25 per cent. (and 35 per cent. in the case of high technology). But it is doubtful whether more banks will be allowed to be established as even now, according to some Iranian bankers, the system is overbanked. The last commercial bank to be established was the International Bank of Iran —a venture between Chase (35 per cent.) and the State-owned Industrial Credit Bank (22 per cent.) plus Iranian private shareholders. This was set up in September.

Specialised

There have been some new specialised banks—the Irano-Arab Bank (65/35 Iranian/Arab) for trade in the Gulf, an Irano-Egyptian Bank for investment in Egypt, and three regional banks, the forerunners of a network to cover all the regions in the country to provide low interest credits to agriculture and industry, plus limited commercial banking activity.

In addition, there are some 40 representative offices of foreign banks. Last July attention was drawn to the activities of these representative offices by a Central Bank circular warning them against the practice of getting round restrictions on carrying out banking activity. This had been done by several representative offices—loans being arranged by them then bringing in people from say Bahrain or Beirut to "formally" negotiate and arrange loans. Citibank in particular was taken to task by the Central Bank for having an excessively large staff in relation to its representative function and, in fact, was ordered to cut its staff and employees from 25 to just three executive staff. These problems have all been sorted out but it did raise the issue of what precisely a representative office should do.

Although foreign bankers have shown great interest in establishing a base in Tehran, over the past few months they have come to realise that the Iranians are anxious to concentrate first on developing their own institutions and strengthening the existing system—to service the economy — rather than immediately aim to create an international financial centre as was originally considered. This message came across clearly from two conferences held in Tehran with British bankers (in October) and American bankers (earlier this month).

At the height of the euphoria over the potential of Iran's oil surpluses in 1973/74 both Iranians and foreign bankers believed that Tehran could be made an important regional financial centre and capital market. But as the problems of digesting heavily increased investment, coupled with the decline in oil revenues, became apparent, both parties began to adopt a more realistic attitude.

The City of London in conjunction with Iranian financial institutions has established four committees to examine ways of helping specific areas of Tehran's banking and financial institutions, with particular emphasis on training. The American conference, in lower key, went over much the same ground but this time the Iranians were able to benefit from the experience of the previous British conference and the result was probably more useful to both sides.

In any event the fact that in both instances leading representatives of both the British and U.S. financial establishment agreed to come to Tehran to discuss its problems was highly significant. Nowhere else in the Middle East have there been such leading financial figures for a conference. This in itself demonstrates the importance which the international banking community attaches to Iran and the development of its own financial institutions.

Robert Graham

UNITED ARAB EMIRATES

Major decisions to be taken

THE COMING year for the banking scene in the United Arab Emirates will perhaps be the most decisive ever, for its future direction will be shaped by two major forthcoming decisions. The first is whether to allow offshore banking in the UAE: the second is the progress and form that the Gulf monetary union takes.

The idea of allowing offshore banks to operate in the UAE has been circulating for some time, and though Bahrain made the running first, many observers believe that, if given the opportunity, many of those banks currently applying to Bahrain would opt for the greater potential of the UAE. It is pointed out there that only five of the 27 banks granted licences for offshore business in Bahrain are actually operating.

Undoubtedly some of the banks in Bahrain are waiting to see which way Abu Dhabi will go, but the decision is not as straightforward as that. The whole question of offshore banking could become enmeshed in local Gulf politics, for the UAE Currency Board is actively pushing the idea of greater financial unity among the Gulf countries, and in particular the Gulf monetary union project. As Mr. Ronald Scott, managing director of the Board commented, "we do not want to seem to be stealing this business from Bahrain." He would not say just how many banks might opt for the UAE, but said there were certainly "several waiting to see what happens." The grand political aspirations for Gulf unity have reached a decisive stage, for if the UAE decided to leave offshore banking to Bahrain, this would not please certain local rulers who stood to benefit from this kind of business coming to the Emirates. The two centres being mooted for possible offshore banking are Dubai and Sharjah—the latter is currently witnessing a banking boom owing to its tax-free policies. But, Mr. Scott added, the Board might even decide against it.

The project for monetary union of the Gulf currencies seems to be progressing steadily, and at a recent meeting of officials of the four central banks involved, technical decisions were taken relating to the external exchange link, and to the currency unit. These decisions will remain secret for the time being to prevent any profiteering. An interesting factor at the last meeting is that Saudi Arabia sent an observer. Until now, contacts with Riyadh on this question have only been on an unofficial and informal basis. The prospect of Saudi Arabia joining the common monetary union would certainly project the currency into the ranks of international importance, particularly in view of the European currency troubles. The next meeting of the central bankers is due to take place in Doha in June, by when Saudi Arabia's reaction to the project will become known.

Diversify

However, in the immediate future the UAE is looking to diversify its banking scene with the addition of investment houses, money brokers, a working stock exchange and more merchant banks. There seems to be no shortage of applications either, for since the demise of Beirut over 50 such institutions have requested permission to set up in the country. In the past year the banking sector has seen the beginning of a sophisticated market with the licensing of a money and foreign exchange broker in Abu Dhabi, which has helped to keep banks' money circulating and put to profitable use. The first broking company to be established is Emirates Brokers, made up of local interests with a London broking house, R. P. Martin, and stockbrokers James Capel and Co.

On the retail side, locally incorporated banks are springing up, more often than not combining foreign interests and expertise with local capital. The entry of foreign banks is curtailed for now by the two-year moratorium, and Board officials say there seems little prospect of this being lifted when it terminates next year unless there is a substantial increase in business. Foreign banks were recently forbidden to open additional branches in Emirates where they were already represented. Such measures have given a stimulus to the local banks, and during a period of a mere six months last year six more locally incorporated banks were licensed. This brings the total of licensed banks in the UAE to 48. These 48 banks have been given permission to open a total of 349 branches, 202 of which are in operation. This vast number of banks, serving a population of only 603,000, has led to often reckless competition, and in an economy which is racing ahead, a number of the smaller banks have been obliged to take on business rejected by the more established banks. The booming economy has also led to some over-borrowing, and some bankers find themselves having to advise their clients not to run so fast, to take stock for a while before plunging into the next venture that catches their eye.

Hectic

The Currency Board believes that this hectic competitive pace could lead to dangers in the future, and at its recent meeting decided to impose upon banks a requirement to lodge with the Board a minimum cash reserve ratio equal to 5 per cent. of total dirham deposits and 1 per cent. of foreign currency deposits. It probably will not be a popular measure among the smaller banks, but Board officials feel it will help to preserve a healthy banking sector and give greater protection to the public.

Deposits are steadily increasing, and during the period March to September last year were upped by DH2.1bn. to a record DH11.2bn. Total bank credit during the same period amounted to DH5.7bn. at the end of September compared with DH3.0bn. the year before. Credit forms 43 per cent. of the total assets of deposit money banks. In Abu Dhabi loans for construction constituted the major part of business, while Dubai, which represented 69 per cent. of the total credit, went for the financing of trade, reflecting Abu Dhabi's construction boom and Dubai's role as an entrepot centre. Bankers in Dubai are extremely reticent to touch construction financing.

Dubai has always aspired to become the main banking centre of the UAE, with its tradition in commerce and entrepot which is now booming. Others attribute Dubai's success to the ruler's policy of allowing foreign business to come to the emirate and set up in business without the necessity of having a local partner.

It was in Dubai that the UAE's first stock and commodity exchange was recently opened. Though still in its embryonic stage, officials are hoping it will be quoting 20 comp[anies] by the end of this year. ... hoped to make the Dubai exchange a centre for the ... tion of Arab Gulf comp[anies] but until such compan[ies] Kuwait allow other ... nationals to buy into ... companies, the scope ... limited. (In this ... Dubai's stock exchange ... a beneficiary of Gulf ... It is also limited by the ... tional family links each ... ness has, but this is lik[ely to] change slowly.

Kathleen Bis[hop]

JORDAN

Emerging role for Amman

IF GREAT civilisations in the Middle East have traditionally risen from the ashes of their predecessors, it does not necessarily follow that contemporary financial centres in the Arab world must be built upon the debris of a shattered Beirut. Much free and fast talk has filled the air recently about the emergence of Amman, the Jordanian capital, as a new commercial centre to play some of Beirut's many traditional roles.

The truth of the matter is that Amman has been developing as a business centre for several years past, and has now reached the point where it seeks to open its doors to foreign companies while simultaneously moving to set up the depth and breadth in financial institutions and instruments that are the hallmark of any financial centre. It is not fair to say that Amman seeks to steel the show from Beirut, nor realistic to think that it can. But what is obvious is that the sustained economic boom in Jordan has now compelled the Jordanian Central Bank to take some decisive interventionary action such as the handful of commercial banks in the country has rarely seen from it.

What is happening in Jordan to-day is that a sustained, planned economic development programme is starting to bear fruit. Since 1973, however, the high pitch of economic activity has also prodded inflation via a massive increase in the money supply.

In 1974, the money supply jumped JD21m. to reach JD170m. and then increased by another JD48m., or 28 per cent. in 1975.

This was primarily due to increased foreign exchange assets in the form of private and public foreign credits and aid, a sharp rise in private remittances from abroad and a rise in domestic bank credits. This fuelled an inflation rate that has hovered around the 15-20 per cent. mark for the past three years, which in turn prompted many people with money to invest to put it into such non-productive fields as real estate and land speculation and commodities.

The Central Bank at the end of last year made a fundamental decision to attack these problems by using two monetary indicators—money supply and domestic credit. The goal was, and is, to reduce inflation, soak up some of the excess liquidity in the system, redirect credits to productive sectors such as manufacturing, building, tourism and mining, foster domestic investment and, as a bonus, spur the country's commercial banks into more aggressive and dynamic policies.

To this end, the Central Bank has just adopted a series of measures that include:

- a 10 per cent. limit on the increase in commercial bank loans to the private sector (with loans to industrial shareholding companies excluded);
- lowering commercial banks' loan-to-deposit ratio from 80 per cent. to 75 per cent., with an advance guideline for it to fall again to 70 per cent.;
- raising the legal reserve requirement on overdraft deposits from 12 per cent. to 15 per cent., which is an *ipso facto* increase in the banks' legal reserve requirement;
- for the first time ever, intervention by the Central Bank to regulate commercial banks' interest rate structures. A minimum interest rate on savings accounts has been set at 5 per cent. as of March 1 (5¼ for three-month deposits, 5½ for over three months), and the minimum lending rate to prime customers has been raised from 7 per cent. to 7½ per cent.

The aim is to contain the money supply while simultaneously exercising some control on the 12 commercial banks in the country (the 12th, to open this spring, is a new branch of Chase Manhattan).

The Central Bank hopes to stimulate further savings by small depositors (the system's bedrock for many years), increase the money supply held by the banks, redirect some bank credits away from non-productive sectors and increase quasi-money (savings and time deposits) at the expense of the excess liquidity which now prevails.

Intention

Simultaneously the intention is that these moves will spur the development of the Amman stock market, a local bond market and some secondary markets, and a general diversification of local financial instruments. A Central Bank source intimately involved with these developments notes that Jordan is at a stage now where its economy needs enhanced financial intermediation "to reconcile a fragmented capital market."

The State has had a good response to its offerings of development bonds (8 per cent. to the public, 6½ per cent. to banks), and seven bond issues, worth more than JD37m., by publicly held companies in the country last year were oversubscribed. Central Bank sources say it will take about a year for Amman's stock market to come into operation, when it will trade company shares now traded privately. Government bonds and State-backed public corporation bonds. About 70 issues will probably be listed when the market opens its doors.

According to the just published five-year plan (1976-80), Jordan will require JD65m. in fresh investment capital in the coming five years. Even if half of this comes from foreign loans, a substantial amount will have to be raised at home, and the commercial banks cannot be expected to come through with long-term financing in view of their history of short-term commercial credits, stress on liquidity and tremendous emphasis on risk aversion as their No. 1 priority.

Rami G. Khouri

To-day's Anglo-French Ministerial meeting in Paris to consider Concorde's future programme will be placing particular emphasis on the likely expansion of the aircraft's route network and the effect this will have on orders. **Michael Donne** reports

Concorde: more than a wing and a prayer

JOR problem faces the and French Ministers in of Concorde—Mr. Gerald an and M. Marcel Cavaille n they meet to-day to re- he aircraft's programme. ey accept a French plan ld between two and four aircraft beyond the 16 ised, so as to keep produc- eking over in anticipation ther orders, or do they the present run-down to ie, to the point of virtu- isuring the extinction of de?

French are arguing ly in favour of keeping ne ticking over, which ly can be done on a mini- of two more aeroplanes, hich would not involve heavy spending. They that, as Concorde ser- xpand and interest grows, irlines will want either to lease the aircraft, there- ifying the additional pro- i. They point out that the Concorde effort is now g down rapidly. Of the craft authorised, seven ing, another flies soon, ore than half of the parts the rest has been built, everal aircraft already in ssembly for flight later ear. Unless more Con- are built, say the i, the whole investment r £1bn. in research and pment and over £400m. duction will be vitiated, s will be deterred from , and the chances of ever into a second-generation onic aeroplane will be away.

British are more s, concerned about com- g additional funds to a mme that so far has not many signs of impending ercial success in terms of aircraft sold. The British point out that of the 16 aircraft, only nine have been sold—five to British Airways and four to Air France, and that there must be firm orders for the remainder before further cash commitments on additional aircraft can be made.

In this context, it now seems likely that there will only be five available for sale, since the first two production aircraft which flew some time ago are not likely to be refurbished to full airline standards because of the costs and extensive modifications involved. These orders are *only likely to emerge when the* route network has expanded sufficiently to convince other airlines that the supersonic era has finally arrived.

Load factors

In the Minister's talks, considerable interest will be placed both on the results of the aircraft in service so far, and on the prospects of any significant early route expansion. To the first question, the answer seems to be that Air France is having considerable success on its *Paris-Rio route via Dakar, with* load factors now averaging 70 per cent. (and in some cases full aeroplanes), while BA, after a slow start, is finding Concorde gaining popularity on the London-Bahrain route, with load factors averaging 55 per cent. and in some cases rising to 85 per cent. Both airlines are just as anxious as the governments and manufacturers to see the route network expanded, because only in that way will they get enough work for the fleets they have ordered, thereby justifying their big investments.

But it seems that the two governments, if they want to keep the lines going a bit longer, will have to take a good deal on trust. It is likely to be several months before the route situation reaches the necessary "conviction level" for other airlines leading to the sale of the remaining aircraft, and the demand for any more.

In the meantime, however, the two airlines, backed by their governments, are doing all they can. Air France is pressing on with plans to fly to Caracas on April 9, and both Air France and BA are planning Washington flights from May 24. They are hoping that, short of any legal ban on Concorde anywhere in the U.S., the decision by Mr. William T. Coleman, Secretary for Transportation, to permit a 16-month trial will prevail. Since Washington's Dulles Airport is Federally owned and run, there seems good reason to hope that Concorde will be able to go there on the date planned.

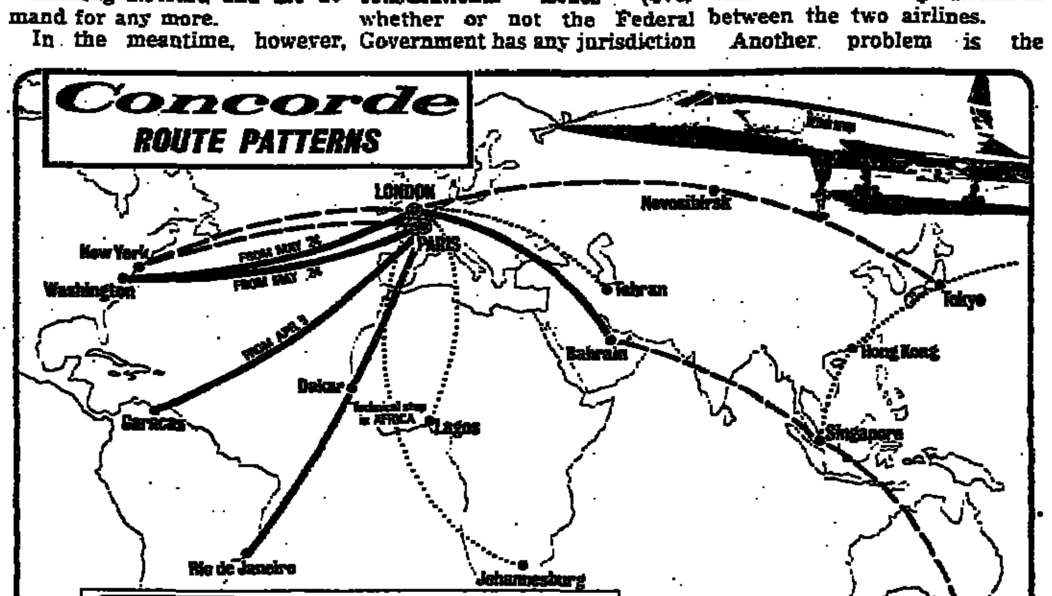
As for Kennedy, New York, however, the battle is likely to be long and bitter, with the whole situation becoming entangled as much in internal U.S. constitutional issues (over whether or not the Federal Government has any jurisdiction over the actions of a State-owned airport) as in objections over noise and pollution.

Concorde, therefore, does not seem likely to get to Kennedy until much later this year, or perhaps even until early 1977.

The extension of the existing London-Bahrain route to Singapore is not likely to occur until later this summer or early autumn, for a variety of reasons. One is the need for *extensions and improvements* to the runway at Singapore, which are not expected to be completed until then. But both the Singapore Government and Singapore Airlines would like some return for their consent to Concorde, perhaps in the form of SIA being able to lease capacity on BA's Concorde flights to and from London. This is now being discussed between the two airlines.

Another problem is the question of supersonic rights across India, where the U.K. has asked for a "Concorde corridor." The Indian Government is still considering this, out of genuine concern for the environment and not because it provides a lever to improve Air-India's traffic rights to and from London. A decision may take some weeks.

This situation has also given rise to suggestions that Concorde could avoid the Indian sub-continent entirely and fly around the Southern tip. The British Aircraft Corporation has studied this, and suggests that, depending on the time of year, Concorde could fly non-stop from Bahrain to Singapore around the southern tip of India for 85 per cent. of its schedules, with a full payload. For the remaining 15 per cent., it could either make a refuelling stop at Colombo, or accept a payload penalty of up to 17 passengers per trip and do the journey non-stop.



Overflying

British Airways is still reviewing this, and is not yet prepared to state that it either could or wants to fly round the tip of India. It feels that Indian overflying rights are essential for the long-term viability of any London-Bahrain-Singapore operation.

Once Concorde begins flights to Singapore, however, a new range of supersonic options opens up, with the possibility of flights to Hong Kong, Tokyo, the Philippines and Australia. The outlook for the latter appears more favourable than some reports have suggested. The Australian Federal Government is to publish its own final Environmental Impact Statement on the Concorde soon, and will then decide whether or not to hold a public enquiry.

Elsewhere in the Far East and South-East Asia, the U.K. wil have to negotiate its supersonic corridor across Indonesia before regular flights between Singapore and Australia can be made.

Tokyo seems likely to be the most difficult place to land in, however, largely because of the acutely sensitive environmental issue in Japan, especially around Haneda Airport. The big new Tokyo Airport at Narita, for example, completed some time ago, is still closed and unused because of the exceptional hostility of the environmentalists. Thus, any Concorde services would have to use Haneda, where there have already been some severe restrictions imposed on subsonic jets. It seems likely that the Japanese will want to watch the progress of Concorde flights to and from the U.S. before committing themselves, and even then they may also insist on a trial period.

Elsewhere the Soviet Union has often been suggested as a *possible Concorde route between* Europe and the Far East, via Novo-Sibirsk. So far, U.K. negotiations with the Russians have been slow, largely because the latter wish to ensure that their own TU-144 supersonic airliner, now making freight and mail flights between Moscow and Alma Ata, is ready for passenger work before they undertake any discussions on Concorde corridors. This is not likely to be much before the late summer or early autumn.

In Africa, the problems stem both from political difficulties as much as operational ones. BA believes that by about 1978, when the runway at Lagos is expected to have been lengthened, there will be adequate traffic for a direct London-Lagos Concorde service, on a thrice-weekly basis.

In the meantime, other operational problems hinder the introduction of any London-Johannesburg Concorde service. Southbound, Concorde could reach Johannesburg with one stop—perhaps at Robertsfield in Monrovia. But northbound, because of the take-off payload limitations at Johannesburg for Concorde, where the airfield is "hot and high," a two-stop operation to London would be necessary. No matter where such stops were sited—such as at Windhoek in South-West Africa and Robertsfield or elsewhere—this would cut the competitive edge of Concorde over a one-stop or even non-stop Johannesburg-London operation by the Boeing 747 SP very long-range subsonic jet which South African Airways is buying. To stop elsewhere in Black Africa, moreover, en route to and from Johannesburg, might create political problems that BA would prefer to avoid.

Other Concorde routes that are still being looked at include the possibilities of a London-Nairobi service, while to the Middle East, such centres as Tehran, Kuwait and perhaps eventually also Beirut, must be included in the list.

Background

It is against this background that Mr. Kaufman and M. Cavaille, when they meet to-day, will have to consider what to do about Concorde. If they decide not to build more aeroplanes, they will be virtually condemning the programme to a further, even swifter, rundown through this summer, as more aircraft reach completion, so that by the time the growth in routes arrives, generating new interest and orders, it may be too late. On the other hand, if they commit more money, they will be risking the charge in some quarters of wasting precious resources with no guarantees of success. In some eyes, especially in France, it is a most critical point in the whole Concorde programme. On how it is settled the whole long-term future of the venture depends.

Letters to the Editor

dustrial democracy

the Managing Director, loverdale Organisation.

—Despite the apparent ness of the original terms rence of the Bullock Com- recent submissions ed in your columns seem licate an increasing con- to distinguish between arrangements for en- ging industrial democracy s reality.

example, the written evi- of the Liberal Party upon you commented on 24 refers to "organic par- tion," although their pro- for bringing this about sise a procedural means, sation of work-place coun- here is a critically impor- istinction between formal ements for participation— worker directors, super- Boards, works councils, onsultative committees— e living reality of em- at all levels participating effective operation of rganisations as part of ormal daily work. The ion of formal arrange- whether enforced by ion or not, may or may ourage real participation. f us have worked in a of organisations, both in siness life and socially ur own observation has that real participation rish without formalities, t formalities themselves bring about real ation.

things above all are employees at all levels both willing and able ibute their know-how, ice, ideas and potential ving the performance of n companies and are to greater satisfaction and in so doing. The first people at the top need on and imagination to is possible, for example, ormous energy and y which can be released. sed the real conviction that it is not a question of just achieving high quality economic performance *or* greater job satisfaction on the part of the employee *but both*. Indeed, whatever the situation was in the past, in future they *will* not obtain the former without the latter. Much is talked of the increasing pace of social change and the need to manage this rather than react to it. What is needed is more thought on how to create the climate where people at all levels are involved in bringing this about.

Second, given that top management has the necessary conviction and demonstrates it, it needs to help subordinate managers to develop the skill and confidence to provide the type of leadership which enables others to participate with enthusiasm. Managing *in a democratic and responsive* way requires the development of a range of skills which enable the manager both to make better decisions and to implement them successfully through the best use of human as well as technical and financial resources.

The challenge to top management is to clarify its understanding of what industrial democracy and real participation imply, then to have this commonly understood throughout their organisations and finally help their managers develop the necessary skills to carry out their policies successfully. Since, too, *effective participation* requires similar understanding and skill on the part of trades union representatives and members, the leaders of the trades unions face a *similar challenge*. The Bullock Committee will make an invaluable contribution towards increasing both the nation's wealth and quality of working life if it can bring management and union leaders to face this challenge, and not merely make recommendations on formal arrangements for extending industrial democracy.

Peter Harris,
270, Earls Court Road, S.W.5.

tionalised industries

r. F. Law.

read with interest your leader on March 22 ers for the Public s."

lly, the reason for the of many public sector ents is the way in which e set up originally. They emselves very quickly o borrow money to pay erest on the original debt, resulting in an e effect of increasing the pay the debt. The sed sector has been used nments of both parties onomic regulator, pre- the managers of these s to plan ahead for than 6-12 months .

the executives who have racted into the public ave been of very good t will become more and icult to keep them. They sh to be associated with ir alternatively cannot aspire to a seat on the s this, in most cases, ean a financial sacrifice. g at the experience of untries, perhaps there ns and remedies to be om them. Continental ector companies have a ssurance to be left to n devices and plans. not used to the same economic (not political). Their capital struc- ore logically and firmly In Germany and in in particular, the dia- ween Government, trade union and business, is a continuous and co-operative one, guaranteeing a far larger measure of stability, both to the work force and the managers.

On the Continent as in the U.K., every chairman and his executives strive to make their public sector corporations efficient and where possible, profitable. It is however recognised that, in certain cases, this is impossible.

I would like to see the following changes take place in the U.K. As Government, through its civil service, has an ever increasing responsibility in the affairs of nationalised industries, it is important that we are sure that the calibre of our civil servants is the highest. Undoubtedly, the standard of intelligence and of intellect of the British civil servant is as high as that of his continental colleague, often even higher.

In the case of the French civil service, however, it has managed to have an easy flow to and from industry to civil service, and one is very impressed by the ability and particularly practical experience of the French *in this* respect. There is a lesson to be learned here.

"Government" must make up its mind that it will have to foot the bill for certain activities which it considers a social service. It must then give the chairman and board of the industry concerned a remit to run these unprofitable services as commercially as possible. The losses incurred will then be a separate account presented to the Government for payment. The alternative of burdening the rest of the business with these losses will only lead to further losses, reductions and redundancies, dragging down the healthy part of the business.

Lastly, the salary level of *chairmen, executive board members* and executives, must be seen to compare fairly with the private sector to ensure that the young executive can see a career pattern before him, giving him the same monetary recompense he would expect in business.

With so much U.K. industry being Government controlled, it is vital to our economic survival, that executives running it, are top flight men adequately paid. To attract men of ability to take on these tasks, we must not only pay them well, but assure them that once their plans are approved, they will be free from change or interference for an agreed period.

F. S. Law.
61, Cadogan Square, S.W.1.

Sale of council houses

From Mr. F. Rivers.

Sir,—Your correspondent, Mr. Harry Hill (March 25) expresses his alarm at Mr. Rogaly's article (March 23) and the views expressed by Mr. Frank Field on the sale of council houses. His views seem to be that only local *authorities can continue* the housing of the people of the country, and that selling houses would "deplete the social capital."

Mr. Hill should be reminded *that the "social capital"* that is, the houses, and the housing departments all over the country, *and* the Ministry of Housing, plus the finance and the direct building departments, etc., etc. . . . are the property of the taxpayers as a whole, and *it is* a very expensive way of doing things, indeed the London Boroughs have already favourably looked into the economics of this a few days ago.

I would also wish to remind Mr. Hill that many of the present council tenants have paid for their houses several times over to the council in rent, and I would like to see the present Government conveying the ownership of their house to all council tenants who have paid their rent for 30 years. It may come as a surprise to Mr. Hill but certainly not to many others, that if every council house or flat in the country were given to their tenants to-day, and all the thousands of supernumaries in the housing departments employed otherwise, the country would as a result save *£3bn. a year and a great deal* of dignity would be restored to the tenants, as well as the human and economic freedom of moving from and to any part of the country. The houses belong to the people, give them the deeds.

F. Rivers,
33, Langton Way, Blackheath, S.E.3.

New Towns financing

From Sir Thomas Bennett.

Sir,—The New Towns Amendment Act which was discussed in the House of Commons last week again raises the whole principle of the transfer of housing and related assets.

In 1947-60 permanent ownership was under discussion in various ways, it was considered at first that New Towns would be bound to make a heavy loss, and after a certain number of years, this would be brought to the House of Commons, the loss would be written off and the development would be handed to the local authority for pure management. Inflation had not then produced house rents of the fantastic level which economics would to-day suggest are necessary. *Later the Conservatives* considered they should set up the New Towns Corporation and that the profits which careful estimate then showed would eventually be made, should accrue to the national taxpayer, who had provided the money for the original investment.

There is a suggestion that a three-bedroom house as built on to-day's money borrowing rates, together with maintenance charges and rates should amount to £40 a week. Crawley Council is at present charging £7 a week and this vast difference must be made up by the taxpayer in some form. It is therefore extremely difficult to understand why the Government is against the purchase of houses by individual owners. The advantage to the whole community of the ownership would appear to be evident to everybody. The question of control of the right colour in terraces, of continuous gardens and hedgerows ought all to be included as conditions of sale. The remaining assets, industry, retail trading and a certain proportion of houses which might be available for key workers in specialised conditions should be under the control of the Corporation, and not liable to the vagaries of changes in political parties, or to manipulation which *for many purposes* may not be on the same lines as common sense economic development. The *discussion* has many aspects which ought to be thoroughly thrashed out before the houses are just *handed over to* the local authority, together with the vague phrase at present quoted, "together with those things which go towards the actual requirements of the housing section."

A New Town's Corporation contains men who are highly experienced in property control, land purchase and development and therefore are likely to manage the assets of the New Towns more efficiently than any local authority. No sale should even be thought of without regarding the housing development authority as the exclusive or almost exclusive purchasers.

Thomas Bennett.
The Sycamores, 19, North Road, Highgate Village, N.6.

Equalisation Account

From Mr. J. Richards.

Sir,—So far as I have been able to ascertain, the figures in table 23 of the Bank of England quarterly bulletin referred to by Mr. A. M. White (March 25) relate to HM Treasury's "Exchange Equalisation Account."

The published figures in respect of "U.K. official reserves" appear to include unused overdraft or superdraft facilities, which would not normally be counted as assets in a proper balance sheet. The published accounts of HM Treasury's Exchange Equalisation Account may perhaps have been a trifle sketchy in the past, but what there is of them is accompanied by an auditor's statement. There appears to be no evidence of the cost of administering the Exchange Control Act 1947, being debited to the Exchange Equalisation Account.

John F. Richards.
"Woolhams Bank," 73, Harestone Hill, Caterham, Surrey.

To-day's Events

GENERAL

Mr. Gerald Kaufman, Minister of State, Industry, and M. Marcel Cavaille, French Transport Minister, discuss future Concorde production, Paris.

Rail fares now increased by average of 12 per cent.

Mr. Peter Shore, Trade Secretary, speaks at reception, World Trade Centre, E.1, at which details will be given of proposed Anglo-European Freight Interchange at Wakefield.

Sir Lindsay Ring, Lord Mayor of London, unveils plaque commemorating 75th anniversary of Institute of Incorporated Photographers, Bloomsbury Centre Hotel, W.C.1.

PARLIAMENTARY BUSINESS

House of Commons: Debate on Green Paper on direct elections to European Assembly. Rating (Caravan Sites) Bill (Lords), remaining stages.

House of Lords: Debates on direct elections to European Assembly and on rating of charity shops.

COMPANY RESULT: Barratt Developments (half-year).

COMPANY MEETINGS: See Week's Financial Diary on page 8.

EXHIBITIONS

Brewing, Bottling and Allied Trades Exhibition opens, Earls Court.

Pulp, Paper and Board Exhibition opens, Metropole Centre, Brighton.

OPERA

Royal Opera gives prom. performance of Fidelio, Covent Garden, W.C.2., 7.30 p.m.

BALLET

Scottish Ballet production of Mary Queen of Scots, Sadler's Wells Theatre, E.C.1, 7.30 p.m.

THEATRE

Princess Margaret attends gala performance of Shaw's "Widowers' Houses" at Wimbledon Theatre in aid of Shelter's national campaign for homeless.

MUSIC

Forest Philharmonic Orchestra and Choir, Hertfordshire County Youth Choir and Hanwell Band, conductor Frank Shipway, with Anna Reynolds, Stuart Burrows, John Shirly-Quirk and David Gwynne, perform The Damnation of Faust, by Berlioz, Royal Festival Hall, S.E.1, 8 p.m.

Atarah Ben-Tovim (flute and electric alto flute) and John Harper (classical and electric guitars) play music from Elizabethan England, Spain, Israel and India—classics, folk and modern jazz, Purcell Room, S.E.1, 8 p.m.

Stan Tracey Quartet in programme of modern jazz works, Queen Elizabeth Hall, S.E.1, 7.45 p.m.

COMPANY NEWS + COMMENT

British Enkalon ready for any upturn

FOLLOWING A drastic cost reduction campaign during 1975, **British Enkalon** has emerged from the year "leaner and more efficient," and is now well poised to take advantage of any improvement in trading conditions as a whole, and in the U.K. textile industry in particular.

Chairman Mr. J. Martin Ritchie reports that the share of markets lost as a result of the Flixborough disaster has been substantially recovered; and the new carpet and polyester textile yarns are proving to be particularly successful.

Referring to 1975—when a loss of £5.96m. (£114,000 profit) was shown—the chairman explains that the loss of £2.8m. incurred in the second half came mainly in the third quarter, and the results for the last two months of the year and for the first month of 1976 give "some cause for satisfaction."

This, together with the action taken to reduce costs gives grounds for believing that the worst is over and that results this year will show a marked improvement over 1975, says Mr. Ritchie.

During 1975 considerable de-stocking, combined with a high level of imports, led to substantial reductions in prices. Only recently have there been any signs of recovery.

Low sales prices and high inflationary pressures caused a *strain on liquid resources* and it was for this and other reasons that costs had to be cut, says the chairman.

A statement of source and application of funds shows that at December 31 there was an increase in liquid funds of £2.54m. *(£8.63m. decrease)—cash* was up by £560,000 while overdrafts were reduced by £1.98m. The directors say that cash resources available are sufficient to meet the current year's requirements.

Meeting of the company—in which Akzo of Holland has a 62 per cent. equity stake—is at the Hyde Park Hotel, S.W., April 23 at 3 p.m.

● comment

British Enkalon emerged from 1975 with net borrowings £8.4m. *higher* at £17.2m., and with shareholders' funds easing to £16.6m. the group is now a very highly geared animal. Thus it is just as well that 1976 is expected to "show a marked recovery." On a sales base of over £40m. there is clearly plenty of scope for this: and over the five years to 1974 group margins were more than 10 per cent. on average before interest. Meantime, the shares yield 1.9 per cent.

HIGHLIGHTS

Today has little to offer in the way of company results, but **Smith and Nephew** produce a prelim. to-morrow while on Wednesday there are annual figures from **House of Fraser. Legal and General** and **Pearl Assurance. London Brick** reports on Thursday and **Bowater** rounds off the week with a prelim. on Friday. Another thin week-end postbag has produced full accounts from **British Enkalon** and **Transport Development Group**.

Newman Tonks setback

FIRST-HALF pre-tax profit of Newman-Tonks contracted from £770,000 to £365,000, on a turnover down from £7.41m. to £6.82m.

Orders for architectural and builders' hardware were confined *by the general recession in the* construction industry and acquisitions made in 1975 have not yet had time to make any significant contribution to profits, the directors explain.

The rationalisation programme, involving closure of the Moseley Street factories, has been completed at the cost of approximately £45,000. There will be useful savings in the second half and benefits of a more efficient production unit at the enlarged Walsall factory should now accrue.

They report that the incoming order situation has shown signs of improvement in the past few weeks, and if this trend continues, profit for the second half should show an improvement on the first.

An unchanged interim dividend *of 0.7p net per 25p share* costing £69,088 (£68,845) has already been declared. Total for the year to July 31, 1975 was 2.95854p from a profit of £1.51m.

Sthn. Kinta close-down in Thailand

The London Tin group's Southern *Kinta Consolidated* announces that it has had to close down its operations at Takuapa in Thailand, and says that if the situation in that country does not *stabilise after the national elections* on April 4, "it is probable that the closure must be considered as permanent."

It is pointed out that the Thailand tin dredging operations have been halted by a strike since January 24, and that the company *has been unable to obtain an* assurance of renewal of the leases despite high level representations in Bangkok.

Nor has it been possible to have any action taken towards stopping the onrush of illegal miners, who have occupied the *richer* parts of the property. Southern Kinta, which also operates in Malaysia, promises a further announcement when the situation becomes clearer. The shares were 91p on Friday.

Upturn at H. & J. Quick

Turnover of the **H. and J. Quick Group** of passenger and commercial vehicle dealers rose from £19.06m. to £24.15m. in 1975 and pre-tax profits were £257,649 compared with £177,303 *previously*.

Earnings per 5p share are shown as 3.58p against 3.22p and the net final dividend is again 0.523p making a maximum permitted total of 0.9354p against 0.858p in 1974.

Profit for the year is struck after interest of £289,706 (£287,683) but before tax of £146,274 against £122,993. In 1974 there was also an extraordinary debit of £73,304.

Carliol lowers dollar premium content

Mr. D. A. Pease, chairman of **Carliol Investment Trust** says that although the current classification of investments indicates an increased emphasis in the U.K. this has largely arisen because of the recent sharp rise in U.K. share values relative to overseas values, and does not indicate a change of policy.

During the year to January 31, 1976, it was decided to draw down $US1½m. of foreign currency loan facilities making possible the transfer of part of the overseas section to non-premium currency and consequent sale of investment dollars at a high rate of premium.

The dollar premium content of the valuation has now been reduced to 18 from 20 per cent. a year ago. Other movements show relative reductions in the valua*tions of the financial group, other* (industrial) groups and commodities group sections, and increases in the capital goods and consumer goods sections.

Group revenue, before tax, for the past year was £533,579 (£452,851) and the dividend, as reported with net asset values, is 2.75p (2.5p) net.

Meeting, Newcastle upon Tyne, April 23, at 12.15 p.m.

Realisation of Spreckley assets

Following the appointment of *National Westminster Bank* as receivers and managers to **Charles Spreckley Industries** and certain of its major subsidiaries on February 2, the principal assets of the companies concerned, other than the interest in Associated Development Holdings, have now been realised.

The directors of the companies are preparing statements of affairs, but these are not yet available. It appears unlikely however, that any funds will be available to unsecured creditors, it is stated.

The companies in receivership are:—Charles Spreckley Industries, Charles Spreckley Group, Spreckley Sage, Sageway, Rashleigh Phipps and Co., National Flooring Rock Asphalte Holdings, and Spreckley Building Services.

Bamfords ahead but cautious

The chairman of makers of agricultural machinery, etc., Bamfords —Mr. H. F. Burgess—told the annual meeting that sales despatched for the first five months of the current year would be approximately £500,000 in excess of last year's figures, a rise of about 10 per cent.

Profits would show an increase over the corresponding figures but the directors did not expect this to continue in the remainder of the year, he added.

The chairman explained that in recent weeks the company had experienced industrial action culminating in four weeks' lost production from the assembly lines. This, together with wage increases, would reflect in increased costs *for the remainder* of the year.

He also said that, although the recent farm price review had given many sectors of the farming industry more confidence, this might not be reflected in additional orders for some time.

BOARD MEETINGS

The following companies have notified dates of Board meetings to the Stock Exchange. Such meetings are usually held for the purpose of considering dividends. Official indications are not available whether dividends concerned are interims or finals and the sub-divisions shown below are based mainly on last year's timetable.

TO-DAY

Interims: Barratt Developments, Burgess Products.

Finals: S. C. Cases, James Fisher, Gibbs and Dandy, Rolaflex (Great Britain), J. Shannon, York Trailer.

FUTURE DATES

Interims—	
Bridport-Gundry	Mar. 31
French (Thomas)	Apr. 6
Glaxo	Apr. 12
Kwik Save Discount	Apr. 5
Second Broadmount Trust	Apr. 1
Sheaf Steam Shipping	Apr. 6
Smiths Industries	Apr. 8
Finals—	
Bifurcated Engineering	Apr. 1
Channel Islands and International Investment Trust	Mar. 30
Combined English Stores	Mar. 31
Dorada	Mar. 30
England (J. E.) and Sons (Wellington)	Apr. 5
Equity and Law Life	Mar. 31
Grattan Warehouses	Apr. 7
Guardian Royal Exchange Assur.	Apr. 7
Heal and Son	Apr. 7
Robertson Foods	May 20
Rowan and Boden	Apr. 5
Triplavest	Mar. 30

Tyneside Investment

The chairman of the **Tyneside Investment Trust**, Mr. R. H. Dickinson, tells members that as far as the current year is concerned, there are growing signs that leading industrialised countries, particularly the U.S., are coming out of the recession.

In these circumstances, he thinks it right to be fully invested in equities, and to maintain the existing wide geographical spread of investments.

For the year ended January 31, 1976, revenue before tax increased from £262,134 to £301,435 and the net dividend is 2.75p *(2.5p)* as already reported with net asset values.

To reduce exposure to the investment currency premium, the directors took out a five-year foreign currency loan facility of $US750,000 which was used to fund part of the overseas section of the portfolio in non premium currency.

Meeting, Newcastle upon Tyne, April 23 at 12.20 p.m.

EXTERNAL INVESTMENT

External Investment Trust's rights issue of £1.4m. of 7 per cent. Convertible Unsecured Loan stock 1992-97 has been fully subscribed. The basis of allotment in respect of excess applications will be announced to-day.

Lord Harcourt, chairman of Legal and General Assurance, which is due to announce its preliminary results on Wednesday.

Hanger Investments profit

FORD main dealers Hanger Investments has recovered from a £27,845 loss to a pre-tax profit of £101,165 in 1975. Turnover rose *from £15.52m. to £19.76m.*

	1975 £	1974 £
Turnover	19,756,379	15,521,178
Trading surplus	1,735,837	1,347,905
Charges	1,634,672	1,375,733
Profits before tax	101,165	*27,845
To tax equalisation	61,000	—
Unrequired amort. tax	35,488	—
Exceptional costs†	—	16,172
Cash dividend	21,792	—
Forward	738,571	704,790

* Loss. † Closure of subsidiary.

Progress by A-Portuguese Bank

Profit balance for the 11 months to end-December, 1975 at Anglo-Portuguese Bank was £453,805, after charging £12,500 compensation for loss of office, tax and transfer to reserve for contingencies.

For the previous 12 months, the comparable figure was £443,444 including a transfer from reserves for contingencies.

All the issued share capital of the bank was acquired by Norwich Union Life Insurance Society on May 23, 1975 and the year-end date has been altered to conform with that of the new holding company.

Dividends on the "A" and "B" Ordinary of £325,000 (nil) were paid.

The chairman, The Marquess Townshend, describes the 11 months as a period where business internationally has been undertaken in the most difficult economic conditions and where the domestic market has continued to deteriorate.

In such circumstances he feels "particularly gratified" with the results achieved, and the consolidation of the last two years *coupled with the institutional link* now forged, leaves the bank "well placed to take advantage of future opportunities as they arise."

It is difficult to forecast growth conditions for 1976 but the year "commences with just a little better feeling."

Meeting, 7 Bishopsgate, E.C., June 24, noon.

EPIC loan finance

A letter has been sent to shareholders of Estates Property Investment relating to the loan facility of up to £1.6m. provided to the company by Royal Insurance. Proceeds will be applied to reduc*ing Estates Property's short-term* borrowings.

Royal currently holds 7.46 per cent. of the equity and, assuming full exercise of the *options*, this will increase to 11.33 per cent. Option grants are exercisable at any time within ten years of respective dates of grant.

Phoenix Assurance, which holds over 20 per cent. of Estates Property share capital, intends to vote in favour of the resolution *proposing the loan facility.*

CIS lifts bonuses

The Co-operative Insurance Society is to increase its bonus rates —reversionary and terminal—for both its ordinary branch and its industrial branch business.

Reversionary bonuses in the ordinary are lifted to £3.60 per cent. of the sum assured from £3.40 per cent. The new terminal bonus rates applicable to policies which mature, or become death claims, on or after April 1, will vary from 11.2 (10) per cent. of the sum assured for policies with *ten years' premiums paid, to 36.3* (31.6) per cent. for 20 years' paid, to a maximum of 71.0 (63.5) per cent. for 46 years or more premiums paid.

Bonus rates increases in the industrial branch are more *modest*. The reversionary rate is increased to £2.30 per cent. of the *sum assured* from £2.15 per cent., and the maximum terminal bonus rates rises to 57 per cent. from 51 per cent.

Strong financial position at TDG

DESCRIBING THE balance sheet as one of "immense strength," Mr. J. B. Duncan, chairman of **Transport Development Group**, reveals that at December 31 net cash and deposits showed a jump from £1.3m. to £7.2m. and that, despite a downturn in trading activities in the year, cash flow has been fully maintained.

Net current assets have more than doubled from £4.1m. to £8.4m. Cash and deposits stood at £10.3m. (£6.93m.), while *overdrafts* appeared at £3.1m. (£5.7m.).

The chairman says this strength also owes much to tight control exercised over capital projects, which has resulted in expenditure falling from a peak of £12m. in 1974 to a net figure of £8.5m. in 1975.

It is intended in 1976 to make a modest start on the re-equipment programme in order to ensure that resources are well able to meet the demands of a reviving economy.

Commitments at December 31 stood at £4.44m. (£5.07m.).

During the year a new variable rate medium term loan of Fls.17.5m. was drawn to fund existing borrowings and to allow for future expansion. The company also has substantial medium term loan facilities, available to meet future development needs.

On prospects Mr. Duncan, says that at the moment it would be unreasonable to expect an overall increase in profit for the first six months of the current year. On the mainland of Europe profits are improving and in Australia the *return of business confidence* is noticeable. But in the U.K. there are as yet few signs of revival.

In 1975 group profits showed a reduction from £13.56m. to £12.12m., on a turnover of £129.33m. (£119.34m.). It is pointed out that on a Sandilands CCA *inflation adjusted* basis, profit would be decreased by 36 per cent.—net taxed profit would be down from £6.66m. to £4.46m. and the retained balance would go down from £2.95m. to £0.8m.

An analysis of turnover and profit (£000's omitted) shows: road haulage £75,771 (£65,813) and £4,683 (£5,488); storage and other transport services £27,129 (£24,519) and 6,236 (£5,882); and exhibitions and reinforcement £26,454 (£29,012) and £1,203 (£2,186). Geographically the figures are split as to: Australia £6,507 (£4,227); and £1,469 (£1,130); mainland Europe £22,302 (£16,726) and £298 (£1,001); and U.K. and others £100,545 (£98,341) and £10,355 (£11,425).

In Australia, reduction of the investment portfolio continues. Its function is to make good use of resources in Australia pending their application to expand group transport and storage interests. It is intended to make use of invested resources in this way as soon as opportunities become available, says Mr. Duncan.

The report shows that during the year payment of £10,000 was made to a former director on termination of a service agreement. Emoluments of the chairman increased from £10,000 to £31,000.

As reported March 10 the dividend is raised from 2.674p to 2.853p net and a scrip issue of one-for-ten is proposed. Meeting, Great Eastern Hotel, EC, April 23 at noon.

Exports up at Allied Insulators

Mr. A. Lloyd, chairman of **Allied Insulators**, reported at the anual meeting that in January and February, exports were up one-third and total turnover increased by 30 per cent.

The directors were budgeting for an increase in exports while there was still difficulty in home markets.

"Nevertheless, even with short time working last year we did show a substantial increase and have productive capacity for the anticipated upturn in the economy when that time came."

FT Share Information Service

The following securities have been added to the Share Information Service:—

Blakey's (Malleable Castings) (Section: Engineering, Machine Tools). **Gardiner (L.) and Sons** (Section: Engineering, Machine Tools). **Bird and Co. (Africa)** (Section: Rubbers and Sisals).

SOMERVELL NAME CHANGE

Somervell Brothers, wholly-owned shoe manufacturing subsidiary of K Shoes, is to be renamed K Shoemakers from April 5.

BIDS AND DEALS

Agreed Antony Gibbs bid for Lionel Sage

Antony Gibbs Holdings has agreed with the Board of **Lionel Sage and Co.** to make an offer to acquire all the issued share capital of Sage for £1,625,000 cash.

The directors of Sage are recommending acceptance and, with certain holders owning approximately 56 per cent. of the capital, have undertaken to accept in respect of their own holdings.

Sage are Lloyd's brokers founded in 1917. It is the intention of Gibbs to amalgamate the business with that of Antony Gibbs and Sons (Insurance), a wholly-owned subsidiary of Gibbs whose portfolios and expertise are complementary to those of Sage.

AURORA—E. SUSSEX

Both parties involved in the **Aurora Holdings** contested takeover bid for **East Sussex Engineering Group** have sent out further circulars to shareholders.

Advising them to reject the offer, Mr. G. J. Suckling, chairman of East Sussex, says the price "completely ignores your *company's true worth.*" Mr. Suckling maintains that Aurora (which already owns over 45 per cent. of East Sussex) may increase its offer at any time before April 24, and extend it until May 8, 1976—"shareholders have therefore everything to gain and nothing to lose by continuing to reject the offer as wholly inadequate."

The Aurora circular advises holders to accept its 30.03125p per share cash offer and says that, although East Sussex has announced *unaudited* pre-tax profits for the year 1975 of £895,000 its previous statement "contains no indication of the level of trading or profitability in the current year."

Aurora is not at present satisfied that East Sussex's proposal to increase its 1975 dividends "to *over 2½ times those paid in 1974* ... would be in the best interests of shareholders," given the absence of information on current profitability and investment intentions.

Aurora "will wish to question the Board of East Sussex closely *on such matters at the annual* meeting before voting on the resolution to approve the payment of the proposed final."

RITZ LOSING ABOUT £3,000 A WEEK

The **Ritz Hotel** in Piccadilly, London, which is being acquired by **Trafalgar House Investments** for £2.7m., is currently suffering trading losses of approximately £3,000 per week, it is disclosed in the formal offer document posted *to shareholders over the week-end.* The Ritz has suffered a decline in profits over the last three years and in the year to September 30, 1975, it incurred a loss of £120,000.

HUGH BAIRD SAYS "WAIT"

The Board of **Hugh Baird** is to consider with its advisers, Robert Fleming the offer made on Thursday by **Manbre and Garton**. Shareholders are urged *by the Board to take no action* in the meantime.

Pending dividends

For the convenience of readers the dates when some of the more important company dividend statements may be expected in the next few weeks are given in the following table. The dates shown are those of last year's announcements, except where the forthcoming Board meetings (indicated thus*) have been officially published. It should be emphasised that the dividends to be declared will not necessarily be at the amounts or rates per cent. shown in the column headed "Announcement last year." Preliminary profit figures usually accompany final dividend announcements.

	Date	Announcement last year
*APV	Apr. 1	Final 17.4%
Assoc. Biscuit	Apr. 9	Final 9.9%
Ault and Wiborg	Mar. 7	Final 6.6%
Automotive Products	May 8	Final 8.3%
Averys	May 6	Final 17.7%
*Babcock and Wilcox	Apr. 14	Final 5.5%
Baker Perkins	May 8	Final 5.4%
Bank of Ireland	May 8	Final 18% §
Bank of Scotland	Apr. 1	Final 6.4%
Bilton (P.)	Mar. 17	Sec. int. 14%
Birmid Qualcast	Apr. 9	Int. 7.5%
Blackwood Hodge	Apr. 8	Final 10.7% §
Booker McConnell	Mar. 26	Final 10.5%
*Bowater	Apr. 2	Final 7.1%
Bowring (C. T.)	Apr. 10	Final 8.9%
*Bowthorpe	Apr. 3	Final 16%
*Bridon	Apr. 3	Final 13.2%
British Home Stores	Apr. 28	Final 21.7%
Brit. Printing	Apr. 3	Final 13.4%
BSG Intnl.	May 2	Final due
Burton Group	Apr. 30	Int. 4.5%
Cadbury Schweppes	Apr. 17	Final 9.9%
*Cape Industs.	Apr. 3	Final 22.2%
[illegible]		
Freemans (London)	Apr. 8	Final 16.8%
Gill and Duffus	Apr. 23	Final 9.4%
*Glaxo	Apr. 12	Int. 9.7%
*Glynwed	Apr. 14	Final 23.6%
*Grattan Warehouses	Apr. 5	Final 17.3%
*Guardian Royal Exchange	Apr. 7	Sec. int. 27.4%
Guest Keen	Apr. 8	Final 16.5%
Guthrie Corpn.	Mar. 7	Sec. int. 8.9%
Hanson Trust	Mar. 5	Int. 17.9%
Hawker Siddeley	Apr. 24	Final 10%
Hepworth (J.)	Apr. 25	Int. 10%
Hopkinsons	Apr. 17	Final 10.4%
*House of Fraser	Mar. 31	Final 14.7%
*Ibstock Jhnsn.	Mar. 30	Final 12.5%
Laing (John)	Apr. 28	Final 6.4% §
Laird	Apr. 7	Final 7.6%
Laporte	May 7	Final 9%
Lead Industs.	Apr. 24	Final 8.5%
*Legal and General	Mar. 31	Final 64.9%
*London Brick	Apr. 1	Final 7.1%
Manbre and Garton	Apr. 23	Int. 4.7%
Manganese Bronze	Mar. 29	Int. 2.4%
Marks and Spencer	Apr. 10	Final 26% §
*Metal Closures	Apr. 7	Final 11.2%
Mettoy	Apr. 30	Final 5.3% §
*Morgan Crucible	Apr. 3	Final 9.3%
Natl. and Comml. Banking	May 1	Int. 6.5%
Newarthill	Apr. 16	Final 6.1%
Ocean Transport	Apr. 22	Final 19.6%
*Pearl Assce.	Mar. 31	Final 15%
Pearson (S.)	May 1	Final 22.7%
Pearson Longman	[illegible]	[illegible]
[illegible]		
Thomson Organisation	Apr. 9	Final 17.1%
Tozer Kemsley	Apr. 22	Final 11.4%
Vickers	Apr. 17	Final 6.7%
Wadham Stringer	Apr. 21	Final 10%
Wadkin	Apr. 29	Final 7.9%
Whessoe	May 1	Int. due
*Wimpey (Geo.)	Apr. 8	Final 6.4% §
Wolseley-Hughes	May 9	Int. 12.8%

* Board meetings intimated. † Rights issue since made. ‡ Tax free. § Scrip issue since made from reserves.

Local Authority Investments

Local Authority loan rates showed a general rise over the previous week. Deposits with local authorities at seven days' notice increased to 8½-8¾ per cent. from 8¼-8½ per cent. last Friday. Deposits at six months rose to 9¼-9½ per cent.

The Financial Times Government Securities Index ended the week at 62.17 compared with the previous 61.40. A fall in U.S. Treasury bill rates possibly gave the market some impetus together with a more relaxed attitude towards the Labour Party leadership ballot.

One-year local authority bonds were placed during the week at par, with a coupon of 10¾ per cent., to offer a yield unchanged from the previous week's batch.

*Rate (%) March 26, 1976	
2 days' notice (deposit receipt)	8 — 8½
7 days' notice (deposit receipt)	8½ — 8¾
7 days' notice after one month (deposit receipt)	8¾
7 days' notice after three months (deposit receipt)	8¾ — 9
7 days' notice after six months (deposit receipt)	9¼ — 9½
Mortgage at one month's mutual notice after 11 months	10¼ — 10¾
Mortgage at one month's lender notice after 11 months nominal term 2-5 years	n.a.
2 years' mortgage	11¾ — 12†
3 years' mortgage	12¼ — 12½†
4 years' mortgage	12¾ — 13†
5 years' mortgage	13 — 13¼†
6-10 years' mortgage	n.a.
11-30 years' mortgage	n.a.

* Rates are for sums not less than £20,000 and are subject to local variation and fluctuation. † Nominal. ‡ Shorter periods may attract higher rates than longer. n.a. Not available.

Public Works Loan Board rates

Effective from March 27, 1976.

Years	Quota loans Repaid By Instalments	Quota loans Repaid At maturity	Non-quota loans* Repaid By instalments	Non-quota loans* Repaid At maturity
Up to 5	10⅝	10¾	12¼	12¼
Over 5, up to 10	10⅞	12¾	12¾	14
Over 10, up to 15	11⅞	14	13½	14¾
Over 15, up to 25	13⅜	14⅜	14	14¾
Over 25	14¼	14½	14¾	14¾

* Non-quota loans B are 1 per cent. higher in each case than non-quota loans A.

RECENT ISSUES

EQUITIES

[illegible]

FIXED INTEREST STOCKS

[illegible]

"RIGHTS" OFFERS

[illegible]

INTERNATIONAL COMPANY NEWS

Impressive Paribas results

A RISE OF more than 40 per cent. in group net earnings last year is the impressive achievement of the Paribas banking and investment group. The total dividend for the parent company, Cie Financiere de Paris et des Pays Bas, goes up to Frs.18.75 per share from Frs.16.50 in 1974.

Consolidated profits for the group which, apart from its substantial banking activities, has widespread holding throughout French industry, climbed to Frs.438m. (£47m.) from Frs.310m. (£33m.), Rupert Cornwell reports from Paris.

Last year's figures include an extra Frs.27m. contributed by the two trading companies Cofimer and Cegepar, which Paribas absorbed at the end of 1975. Net of minority interests, profits attributable to the parent company rose almost 48 per cent to Frs.356m. from Frs.241m.

Statsfoeretag

STATSFOERETAG, the Swedish State holding company, has disclosed an anticipated profits plunge in its preliminary report for 1975. Pre-tax earnings tumbled from KR957m. in 1974 to KR321m. (£37.7m.) on the consolidated account for the 30 subsidiary companies after a 17 per cent. drop in sales to KR7.92bn. (£932m.). The holding company will pay no dividend to the State for 1975 and does not expect to pay one this year either, William Dullforce reports from Stockholm.

The decline in profits is due principally to the effect of the recession in Europe on Statsfoeretag's heavyweights, the LKAB mining company, ASSI, the forest industry concern, the NJA steel works and Berol, the chemical company. The return on capital employed, although not indicated in the preliminary report, is less than half the 11.8 per cent. reached in 1974. Trading profit fell from KR1.2bn. to KR511m.

Commerzbank

COMMERZBANK is proposing to increase its 1975 dividend from the previous year's 17 per cent. to 18 per cent. following a heavy rise in earnings for the second year running. Group consolidated net earnings went up 36.8 per cent. from DM138.3m. to DM189.2m.—an impressive performance after 1974's 35.7 per cent. increase. Distributed profits will rise from DM79.6m. to DM95.5m.

Drug ruling by Advocate General

BY A. H. HERMANN

NATIONAL drug safety regulations must not be used to protect marketing monopolies and higher prices charged by pharmaceutical companies, according to the conclusions presented to the European Court by M. Henri Mayras, its First Advocate General in the third Centrafarm case.

This case concerns the imports of cheaper British made Valium into the Netherlands where the manufacturer, Hoffman-La Roche imposes higher prices for the identical product. In the opinion of M. Mayras, which has every chance of being endorsed by the European Court, the EEC Commission must ensure the establishment of obejective safety rules which would eliminate the possibility of arbitrary discrimination against imported products.

The case was referred to the European Court from Rotterdam where M. Adriaan de Peiper, Managing Director of Centrafarm, is under prosecution for allegedly buying Valuim tablets from CHB (aerosols), a U.K. wholesaler, and importing them into the Netherlands without the authorisation of the Chief Dutch Public Health Inspector.

To do this, Centrafarm would have had to produce manufacturers data and this Hoffman-La Roche refused to provide.

The first line of defences, based on the use of parallel patent and trade mark licensing was already removed earlier by the European Court's decision in the first two Centrafarm cases

If the Court adopts the conclusions of the First Advocate General, this will create a wide breach in the last defences available to the pharmaceutical industry for maintaining their national markets within the EEC as well as differential price levels.

As a rule prices of identical products are substantially higher in the Continental members of the Combmon Market than in Britain.

The Commission has made as yet little headway with harmonisation of legislation in this field. It is at present pursuing three different investigations over Hoffman-La Roche, who have also been ordered to reduce prices by the Berlin Appeal Court, though this matter is still under appeal to the West German Supreme Court.

Montefibre details out its losses in 1975

BY ANTHONY ROBINSON ROME, March 28.

MONTEFIBRE, Italy's largest synthetic fibre and textile group which is controlled by the Montedison group, has just announced a massive 1975 loss of L116.8bn. (£75m.) on sales down 3.7 per cent. to L234.9bn. This means that losses last year represented almost exactly 50 per cent. of turnover.

It was in the face of these heavy losses that Montefibre wrote down its capital from L120bn. to L60bn. last December prior to the subsequent injection of L121bn. through a capital increase.

These heavy losses can be attributed to the fact that Montefibre, formed five years ago through the merger of Rhodiatoce, Chatillon and Polymer, inherited a legacy of obsolete plants which it has not been able to close due to fierce union opposition. This weakness has been cruelly laid bare by the world-wide fibre recession and the fact that this coincided with the start up of the joint Montefibre-ENI fibre complex at Ottana in Sardinia, itself a highly expensive politically motivated prestige project.

This entry of new capacity at a time of world-wide surplus contributed to lowering Montefibre's plant utilisation rate last year to 57 per cent. Financing the rapid accumulation of losses has added a further burden to the group.

In face of these unsustainable losses of Tripartite negotiations between Montefibre, the unions and the Government have led to agreement on the liquidation of the Vallesusa textile complex and finance for the reconversion of the major loss makers in the Piedmont area.

● Societa Generale Immobilaire, the former Vatican-controlled property and construction group which passed under the control of financier Michele Sindona, reports a Lire 86bn. (approximately £57m.) loss last year which is blamed principally on further foreign exchange and commodity market speculation carried out under the Sindona regime in 1974.

Last year's loss, added to the Lire 22.7bn. loss in 1974, brings the total to Lire 109bn. Of this Lire 57.4bn. will be written off by drawing on reserves leaving the remaining Lire 51.6bn. to be carried forward to the 1976 account.

World Economic Indicators

INDUSTRIAL PRODUCTION 1970=100

					% change on year earlier
	Feb. '76	Jan. '76	Dec. '75	Feb. '75	
U.S.	119.9	119.3	118.5	111.2	+7.8
	Jan. '76	Dec. '75	Nov. '75	Jan. '75	
U.K.	99.7	98.8	100.2	105.1	−5.1
W. GERMANY	102.5	108.1	119.0	96.5	+6.2
HOLLAND	123.0	118.0	120.0	116.0	+6.0
ITALY	108.9	104.8	110.2	109.5	−0.5
JAPAN	114.9	112.7	111.8	105.9	+8.4
	Dec. '75	Nov. '75	Oct. '75	Dec. '74	
FRANCE	116.0	112.0	113.0	114.0	−1.7
BELGIUM	98.9	117.8	112.8	107.4	−7.9

MINING NOTEBOOK

Mr. Penna's battle may at last be won

BY LODESTAR

TO GET NEW mines into production is rapidly becoming a financial nightmare for even the most powerful of the mining houses. But the prowess of the individual pioneer cannot be ignored, particularly by governments, if the world is not to be starved of metals and minerals in the latter part of the century.

In this context tribute must be paid to Canada's Paul Penna who has gone through the kind of trauma which could have well destroyed the confidence of larger organisations. In 1968 his Eagle Gold was, to quote, "spreading its wings." In 1970 it had to "retire hurt." But Mr. Penna did not lose faith. And in 1973 I was able to record that Eagle was back in business with a potential profit margin at a gold price of $100 an ounce.

Then came the almost inevitable technical troubles with the plant. Now, however, it looks as though Eagle is at last winning through. All it really needs, as with all gold producers, is the kind of higher bullion price that could finally overtake the cost inflation since the project was first floated when gold was a modest $44 an ounce.

The latest news, quoted in Canada's Northern Miner, is that Eagle is turning out gold at a "record clip" with February the best month since the 1973 start-up. Treatment of 29,021 tons of ore averaging 5.4 dwts. produced 7,476 ozs of gold. These are tiny figures by South African standards but are naturally "very pleasing" to Mr. Penna particularly in the context of the fact that the mine is opening up well at depth giving it a healthy life prospect.

Eagle is now owned by Canada's Agnico-Eagle which is also a major Cobalt area silver producer. The shares are $4.75 in Toronto compared with $5.50 earlier this year. They naturally tend to fluctuate mainly with the bullion price. So they are regarded in Toronto as one of the prime speculations for the precious metal buffs.

From gold, lingering at $131¼ on Friday, we turn to that equally controversial precious product platinum the prospects for which are considered worthy enough by London brokers W. I. Carr, Sons and Co. to issue a 62-page analysis thereof. They reach the conclusion, desipte the political problems involved, that the South African shares "offer exceptionally good value and taking a 2-year view should provide considerable scope for capital appreciation."

The shares of the Rustenburg holding companies are preferred to Bishopsgate Platinum which is the only undiluted way of investing in the Union Corporation group's Impala mine. The reasoning is threefold. Bishopsgate shares are reckoned to have inferior marketability. Secondly, Impala is considered to have the poorer dividend outlook faced as it is with heavy loan repayments over the next 2 or 3 years.

Thirdly, Bishopsgate's rating relative to those of the Rustenburg concerns is thought to take little account of the probable incidence of taxation. The firm's prime choices are Lydenburg, Union and Waterval (100p) with the last-named nominated as the cheapest of the three. The superior marketability of Potgietersrust is recognised but the consequent price premium on the shares is regarded as more than adequately reflecting this factor.

Under the sea

Oil and gas are now coming from under the sea. Way back Mr. Sammy Collins and subsequently De Beers attempted to recover diamonds from beneath the wild storm-tossed waters off the South-West African coast. They brought them up all right but to do so cost more than their value and also led to disaster for at least one of the vessels involved in the venture. Even so, there is no doubt that the winning of minerals from the oceans will become a vital element towards the end of the century in the battle to ensure that the world's requirements will be met.

The eyes of all those interested, doubtless including most of the major mining houses wherever they may be will be focused on Dusseldorf in June where the Interocean, 1976, exhibition is to be held under the title of "The Ocean—Challenge of the Future" and underlining the theory that "beyond national frontiers the oceans represent a reservoir for all mankind which must be better exploited but also conserved with great care."

Manganese nodules are always reckoned to be the prime initial objective because this was the mineral that was predominant in those originally dredged up from the sea bed. But they also contained iron, nickel, copper and cobalt. Enormous resources are reckoned to exist in the Pacific Ocean at depths of from 16,000 to 19,000 feet.

Work has already been in progress with some 31,000 nautical miles geophysically surveyed south-east of Hawaii with locations of deposits charted and samples taken and analysed. Bringing the nodules economically to the surface presents many problems that have still to be resolved apart from the fact that the capital investment involved is put at around $1bn. (£520m.), a figure that can be put into context by the theory that the resultant yield is expected to be no more than a 20th to a 50th of that realised from a similar investment in petroleum production.

It's got to be big

So big international consortiums are considered to be vital if under-sea mining is to become a viable proposition. There is also the problem of who owns what and where under the oceans. But the real difficulties will be mechanical. It is all very well to find the deposits but how to bring them to the surface economically is a poser indeed as the South-West African diamond operations proved.

A continuous line bucket system is reckoned to be operational down to a depth of some 12,000 feet. The dredge buckets are attached to a looped line 46,000 feet long and are dragged over the sea bed before returning to the operating vessel with the material so scooped up. This relatively simple system is all very well where the surface is flat. But the sea bed can be hilly, indeed mountainous, in places where minerals exist.

This would require some kind of suction system whereby the nodules are brought up through a tube by compressed air. The major problem in this respect is to devise the most efficient head to sweep up the material from the sea floor. To quote one authority, "the application of slightly modified, performance proven techniques on land to marine work systems can give rise to costly developments of little use other than props for a science fiction film set."

So there should be much to play for in Dusseldorf from June 15 to 19 the results of which could be of interest to the younger generation of mining investors with their eyes on opportunities in the next century.

* * *

The great Australian uranium situation grows curiouser and curiouser. No go-ahead decisions for development of the big uranium finds by Pancontinental, Peko-Wallsend, EZ Industries, Noranda and Queensland Mines in the Northern Territory can be made until Mr. Justice Fox presents the results of the long-running Ranger environmental inquiry, the Government says. But now Mr. Fox avers that he cannot complete his investigation until "the nature of the financial arrangements for the development of the mine and the marketing of the uranium and the role of the AAEC" is known. No wonder there's a well-known spot in Australia called Alice!

INSURANCE

Dealing with a sub-standard risk

BY OUR INSURANCE CORRESPONDENT

FOR ANY underwriter setting out to establish a premium rating table for a particular class of business, the principal problem is risk evaluation: how shall he define his average risk or risks (for which he will provide standard cover and standard rates) and how shall he deal with the below average sub-standard risk, by reduction of cover, by increase in rate or by some combination of both, or, in the extreme case, by outright refusal of insurance?

For the elucidation of this problem he relies on a combination of statistics and underwriting hunch and, some would say, innate prejudice.

Setting terms for individuals is a different proposition from setting terms for a group, provided that that group represents a broad cross section of the population: the underwriter may well be able to take the group, warts and all, at average rates and for cover which he could not afford to offer for a similar number of individual policyholders simply because he would then attract an above-average number of sub-standard risks.

From many insurance aspects, one kind of below-average sub-standard risk is the citizen who is physically handicapped and how far the British insurance market caters for the physically handicapped and disabled citizen is a searching question which I guess few insurers and brokers can answer with any degree of accuracy, partly because the number of such people known to insurers through the seeking of insurance seems to be so very much out of line with the numbers that live throughout the country.

How many physically handicapped people are there in Britain to-day, people who are say blind or deaf, short of one or more limbs, diabetic, epileptic and so on? Some hundreds of thousands? A million or even more? According to Mr. John Jarrett, author of one of several articles on insurance and the handicapped published in last week's edition of The Post Magazine, the total is in excess of 2m., while a survey carried out on behalf of the Department of Health and Social Security indicates that the total approaches 3m.—around one person in 25 of the population. If, says Mr. Jarrett, you doubt this conduct your own survey of 50 friends or relatives or business acquaintances about whom you know full physical details and check the prevalence of handicap.

Physical handicap, of course, bears most heavily on the underwriting of life and health insurance, but like Mr. Jarrett I doubt that any life office will accept that anything like one in 25 of its policyholders can be counted as being physically handicapped to some degree. This may mean that such people do not try to insure or that a number deliberately conceal their disabilities from doctors, employers, friends, relations and insurers—from the latter perhaps by buying "non-medical" life cover so that they do not have to submit to medical examination.

This, before reading Mr. Jarrett's and the other papers I have mentioned, I would have found hard to believe, partly because I have always held that the great majority of citizens are honest and partly because I have always thought that the legal insurance penalties for non-disclosure are sufficient to deter most of the rest. Having read these papers I must say that my optimism has been somewhat dampened.

However, if unwittingly in their life, health and motor accounts insurers have a hidden 4 per cent. of policyholders who are in some way physically handicapped and so below average from the underwriting aspect and this fact has not yet made itself apparent in the claims that the insurers handle, then it is at least arguable that the kind of handicap that can be so concealed is not a material fact from the underwriting viewpoint: the situation is perhaps an illustration of the old saying that what the mind does not know the heart does not grieve about.

If, on the other hand, there are substantial numbers of physically handicapped people either completely or partly uninsured, then insurers collectively should do something more, first to evaluate the extra risks involved and then to provide cover at a price fair to the buyers, to insurers themselves and to the rest of the body of policyholders: the special terms that have become available in the past few years in the life market for victims of coronary thrombosis, diabetes, and epilepsy point the direction in which insurers must go.

London tea sales

As the tea sales held in London last week 30,277 packages sold realised an average price of 67.05p per kilo compared with 66.30p at the previous sale and against 63.68p a year ago. Plain tea was quoted at 55p.

	No. of kilos	Average per kilo
African Highland Prod.	101,329	70p
Amgoorie	10,269	69p
Assam Co.	48,573	70p
Assambrook	15,487	69½p
Assam Dooars	39,382	64p
Assam Frontier	131,454	65½p
Attaree Khat	14,695	67p
Bhooteachang	14,112	69p
Borelli	12,963	67p
Central Africa	19,420	62½p
Changmai	12,575	68p
Chubwa	8,721	69½p
Chuka	20,529	63½p
Dekhari	24,426	72p
Deloo	15,993	71p
Doom Dooma	53,454	65p
Eastern Assam	31,413	69p
Harmutty	15,276	69p
Jokai	22,003	69p
Jorehaut	29,065	67p
Kanan Devan	13,519	70p
Kenya	259,645	71p
Land Reform	46,081	72p
Luleri	60,572	64p
Moran	49,732	69p
Pabbojan	57,542	69½p
Singlo	26,746	70p
Tiliam	14,175	67p
Tukuria	11,733	72p
Upper Assam	32,195	68p

Stocks at March 29 amounted to 57,970 metric tons compared with 70,893 metric tons a year ago. Converted at 48.208 kilos per package.

INSURANCE BASE RATES	
† Atlantic Assurance	10½%
Cannon Assurance	8½%

† Address shown under Insurance and Property Bond table.

Money & Exchanges

Bank of England Minimum Lending Rate 9 per cent. (since March 5, 1976)

Short-term fixed period interest rates continued the much steadier trend of the past few weeks, and on balance, showed very little change on the previous week.

At the weekly Treasury bill tender, the average rate of discount fell to 8.4177 per cent., and Minimum Lending Rate was unchanged at 9 per cent.

Day-to-day credit was in short supply for the greater part of last week, although the authorities were not required to intervene on Tuesday or Friday. However, Monday saw a very large shortage, made up by the purchase of Treasury bills and Corporation bills by the authorities. On Wednesday, an exceptional shortage was met in the same way, and Thursday saw only a moderate amount of official help.

The foreign exchange market gave all the outward signs of a return to quiet conditions, although there still appeared to be some underlying nervousness over the stability of the European "snake," and the possibility of a revaluation of the West German mark.

Sterling remained very steady on balance over the week, with its trade-weighted average depreciation, as calculated by the Bank of England, remaining unchanged at 33.8 per cent., although on Monday it slipped to an all time closing low of 33.9 per cent. In terms of the dollar, the pound finished the week at $1.9200-1.9210, a loss of only ten points from the previous Friday.

The U.S. dollar recorded little change in mostly dull and featureless trading. Its trade weighted average depreciation, as calculated by Morgan Guaranty of New York, widened slightly to 2.12 per cent. from 2.07 per cent.

The Italian lira finished the week a little better placed against other currencies, as government economic measures appeared to give some support to the currency. Its depreciation on a Morgan Guaranty basis improved slightly to 53.40 per cent. from 54.44 per cent. previously. In terms of the dollar, however, the currency ended at L848, a slight fall from last week's L847½.

The Belgian franc made a useful recovery within the European joint float finishing the week above the lowest permitted level, and at one time overtook the West German mark within the "snake." Its average appreciation increased to 3.57 per cent. from 3.93 per cent.

Gold lost $2¼ an ounce in predominantly quiet and nervous conditions, to finish at $131¼. The Krugerrand closed at $134-136 (£69½-70½) from $136½-138½ (£71-72) for domestic delivery. Its premium over the gold content finished at 2.86 per cent.

EXCHANGE CROSS-RATES

[illegible]

FORWARD RATES

[illegible]

EURO-CURRENCY INTEREST RATES

[illegible]

SPECIAL DRAWING RIGHT RATES

[illegible]

Values are for currencies against the SDR as calculated by the International Monetary Fund in Washington.

[illegible]

GOLD MARKET

	Mar. 26 1976	Mar. 25 1976
Gold Bullion (a fine ounce)		
Close	$130¾-131¼	$132½-133½
Opening	$132¼-133	$132¾-133½
Morning fix'g	$132.20 (£68.729)	$133.10 (£69.057)
Afternoon fix'g	$131.80 (£68.582)	$132.70 (£68.957)
Gold Coins (domestic'lly)		
Krugerrand	$134-136 (£69½-70½)	$135½-137½ (£70½-71½)
New Sov'r'gns	$44¾-46¾ (£23¼-24¼)	$45¾-47¾ (£23¾-24¾)
Old Sov'r'gns	$43½-45½ (£22½-23½)	$44½-46½ (£23-24)
Gold Coins (Intern'aly)		
Krugerrand	$134-136 (£69½-70½)	$135½-137½ (£70½-71½)
New Sov'r'gns	$45-46 (£23½-24)	$46-47 (£24-24½)
Old Sov'r'gns	$44-45 (£23-23½)	$45-46 (£23½-24)
$20 Eagles	$217-220	$220-225
$10 Eagles	$107-110	$110-113
$5 Eagles	$77-80	$80-83

FOREIGN EXCHANGES

Mar. 26 1976	Bank Rate† %	Day's Spread	Close
New York	5½	1.9200-1.9235	1.9208-1.9218
Montreal	9½	1.8858-1.8985	1.8879-1.8889
Amsterdam	4	5.15-5.18½	5.17-5.18
Brussels	7	74.70-75.30	75.00-75.20
Copenh'gen	8½	11.62-11.69	11.64-11.65
Frankfurt	3½	4.87-4.91½	4.89¼-4.90¼
Lisbon	8½	56.85-56.25	56.00-56.20
Madrid	7	122.75-123.15	122.85-123.05
Milan	12	1,612-1,652	1,627-1,632
Oslo	5	10.61¼-10.65	10.62½-10.63½
Paris	8	8.88-8.94	9.00½-9.01½
Stockholm	5½	8.45-8.48½	8.46-8.47
Tokyo	6½	572-582	576-577
Vienna	5	34.80-35.50	35.05-35.25
Zurich	2½	4.87-4.91	4.88-4.90

† Basic discount. ‡ Given rates are for convertible francs: closing financial franc 78.30-78.90.

OTHER MARKETS

			*Notes Rates
♦Argentina	268.88-268.09	Argentina	790-800
Australia	1.5299-1.5461	Austria	34½-35½
Brazil	18.38-18.48	Belgium	79-81
Finland	7.36½-7.37½	Brazil	22-26
Greece	66.100-66.784	Canada	1.88-1.89
H'ngKong	9.45-9.497	Denmark	11.70-11.9
Iran	135-135	France	8.95-9.10
Kuwait	0.560-0.570	Germany	4.88-5.00
Luxemb'g	75.00-75.20	Greece	66-74
Malaysia	4.90-4.91½	Italy	1600-1675
N. Zealand	1.8899-1.8947	Japan	575-600
Saudi Ar'b	6.75-6.85	Netherl'ds	5.10-5.20
Singapore	4.795-4.799	Norway	10.65-10.85
S. Africa	1.6982-1.6993	Portugal	53-58
U.S.	—	Spain	125-130
Canada		Switz'land	4.80-5.00
U.S.		U.S.	1.92-1.94
U.S. cents	101.75-101.76	Yugoslavia	34-36

‡ Based on rates quoted by special dealers. ♦ Rate given is Official Rate BCRA rate 557.00-557.96.

Home loans

The London Borough of Southwark is to resume its home loans scheme on Thursday with a quota of £784,000 allocated by the Department of the Environment. This should provide about 80 mortgages.

The mortgage sheme is to be changed following introduction of the Sex Discrimination Act, which requires that the whole of a wife's or fiancée's income be taken into account for mortgage purposes, where she is under 40, instead of the half income as at present.

INTERNATIONAL COMPANY NEWS + EURO MARKETS

Dollar sector up

BY MARY CAMPBELL

THE DOLLAR sector of the Eurobond market recovered progressively last week, and four new issues were announced towards the end of the week. These are $30m. for Aluminium Company of Canada (the main operating subsidiary of Alcan Aluminium), $25m. for Brascan International and Can.$35m. for Canadian Pacific Securities.

The Alcan issue offers an indicated coupon of 9¼ per cent. on a 12 year maturity via Morgan Stanley International. The $25m. Brascan issue offers an indicated 9¾ per cent. on a six year maturity via Wood Gundy. Canadian Pacific offers an indiacted 9¼ per cent. on a seven year maturity.

Italian bank

Also announced last week was a $60m. floating rate note issue for Banca Commerciale Italiana Holding of Luxembourg. Lead manager is European Banking Company. The spread will be a quarter of a point with the minimum interest rate set at 7¼ per cent.

Barclays Bank International has arranged a $50m. private placement via Barclays Kol. Coupon is 9¼ per cent., issue price par and maturity nine years. The EEC issues continue to overhang the market and the general view is that because of their size they will inevitably take sometime to be absorbed. The coupon for the $500m. private placement — the last tranche of the financing—has not yet been decided. The maturity of the placement will be three years and seven months. Exactly when it will be launched is not yet known, but it is expected to be completed by the end of next month.

Latest new issue in the D-mark sector is DM100m. for Guest Keen and Nettlefolds via Comerzbank. Indicated coupon is 7¾ per cent. and maturity seven years. The next issue in this sector will be DM100m. for Norsk Hydro via Deutsche Bank.

New issues in the Swiss franc sector are being announced much more frequently than usual. Three further issues are to be completed within the next couple of weeks: Sw.Frs.100m. for Australia on a 6¾ per cent. coupon at par: Sw.Frs.60m. for the Finnish institution Imatran Voima on a 7¼ per cent. coupon, also at par; and Sw.Frs.80m. for Copenhagen Telephone on a 7 per cent. coupon. The 6¾ per cent. coupon on the Australian issue marks a further cut in rates.

The European Investment Bank is raising $100m. on the New York market. The coupon will be 8¾ per cent and the issue price 99¾. Maturity is eight years.

Unisec strongly placed

BY RICHARD ROLFE JOHANNESBURG, March 28.

THE ANNUAL REPORT of the Unisec group, formed in 1974 by the merger of Unisec and Slater, Walker Securities South Africa, records that gross assets under the group's present control amount to R230m spread across the financial, industrial and property sectors.

The chairman, Mr. E. G. Blohm, records that the group has maintained a strong financial position, with the balance sheet showing a net R14m. of cash and near-cash and net asset value of 151c per share against the current market price of 100c. With 50m. shares in issue, Unisec ranks as one of the biggest holding and investment companies in the Republic.

The chairman says policy is to concentrate on "fewer but larger" holdings and to this end Unisec sold its subsidiary Cape Foundries and reduced its stake in Berg River Textiles to 50 per cent. It increased its holdings in the quoted Horters, the printing group, and Unisec Developers and Contractors to 55 per cent. and 46 per cent. respectively. Of the other major holding, Tokengate, in which Unisec has 33 per cent. (while Tokengate in turn has 10 per cent. of Unisec) the directors say that attempts to reconstruct the company continue "as it has become clear that current U.K. exchange control practice has placed the company's assets unnecesarily at risk."

On the portfolio side, Unisec has sold the bulk of its golds, retaining only President Brand and Western Holdings and has also sold all its coal shares except Trans Natal.

ANI-Bradken bid off

BY JAMES FORTH SYDNEY, March 28.

AUSTRALIAN National Industries has withdrawn its partial takeover bid for control of foundry group Bradken Consolidated. ANI, which holds 32.7 per cent. of Bradken, had bid for another 1m. shares to give it a 53 per cent. holding and Bradken directors strongly opposed the approach. ANI has pulled out because the other major shareholder in Bradken, Comeng Holdings, bought a 9 per cent. parcel in Bradken, lifting its holding to 34.6 per cent. and making it almost impossible for ANI to gain control.

The Comeng purchase took observers by surprise because the company last year was twice rebuffed by the Trade Practices Commission when it sought to acquire Bradken.

AUSTRALIAN WEEKLY LIST

Australian $	March 26	March 19	Australian $	March 26	March 19
Advertiser Newspaper	†1.42	1.41	Kiwi Int.	†0.88	0.80
Ansett Transport	†1.11	1.12	M.I.M.	†2.75	†2.75
Assd. Securities	†0.49	0.50	Mayne Bros.	†0.96	0.98
Aust. Guarantee	†1.95	1.95	Mayne Nickless	†1.88	1.90
Aust. Paper M'nf'g.	†1.30	†1.25	Myers Corporation	†0.53	†0.60
Boral	†2.20	2.28	Olympic Cons.	†0.60	0.63
Bramble Inds.	†1.65	1.72	Overseas Corporation	†1.65	1.65
Burns Philip	†2.35	2.32	Petersville	†0.30	0.31
Carpenter (W.R.)	†1.38	1.58	Queensland Cement	†1.35	1.44
Castlemaine Perkins	†4.08	†4.05	QBE	†1.00	1.09
Con. & Allied	†2.20	†2.35	Rocla Industries	†1.20	1.20
Commercial Bank	†2.75	2.75	Swan Brewery	†1.55	1.60
Commercial Union	‡0.47	‡0.48	TV Corporation	†3.00	†3.00
Commonw'lth Mining	†2.25	2.20	Thiess	†2.15	2.14
Grace Bros.	†2.58	2.40	Thomas Nat. Trans.	†1.48	1.53
Hardie Asbestos	†5.00	4.95	Tooheys	†1.50	1.51
Herald & Weekly	†2.15	†2.13	Travelodge	‡0.38	0.36
Humes	†1.02	‡1.12	Woodside Burmah	†1.08	1.06

† Buyer. ‡ Seller.

TEL AVIV STOCK EXCHANGE

[illegible]

JOHANNESBURG

[illegible]

AUSTRALIA

[illegible]

Myer Emporium	†2.51	+0.01
News	†1.98	—
Nicholas International	†0.70	—
North Broken Hill	†1.67	−0.08
Oakbridge	†0.72	+0.02
Oil Search	†0.17	—
Pioneer Concrete	†1.27	−0.01
Reckitt & Colman	†3.40	—
H. C. Sleigh	†0.52	+0.07
Southland Mining	†0.34	—
Stocks & Holdings	†3.60	+0.16
Tooth ($1)	†1.76	—
Waltons	†1.10	−0.02
Western Mining (50 cents)	†1.72	−0.01
Woolworths	†1.50	−0.02

Marshalls in Bahrain

M. W. Marshall, international money brokers, has now received permission from the Bahrain Monetary Agency to open an office in Bahrain.

This office will complete Marshall's links between its offices in Singapore and Hong Kong and those in Europe and North America.

LUCS in profit

Peter Parker, chairman of London University Computing Services, announces a return to profit for the scientific and technical computer bureau.

Following a loss of £648,000 in 1973-74, a net profit in excess of £45,000 has been achieved for the year ending July 31, 1975.

Sales at £840,000 show an increase of 25 per cent., reflecting the success of a rationalisation programme under which LUCS has concentrated on the consolidation and expansion of its technical and scientific services.

Indices

NEW YORK—DOW JONES

	Mar. 26	Mar. 25	Mar. 24	Mar. 23	Mar. 22	Mar. 19	1975-76 High	1975-76 Low	Since compilat'n High	Since compilat'n Low
Industrials	1005.46	1002.13	1009.21	995.45	982.29	979.85	1,009.21 (24/3/76)	632.04 (2/1)	1051.70 (11/1/73)	41.22 (8/7/32)
Home Bonds	72.68	72.66	72.48	72.57	72.18	72.25	72.57 (25/3/76)	66.16 (5/1)	—	—
Transport	209.62	209.58	209.76	208.24	206.67	206.55	211.51 (11/3/76)	146.47 (2/1)	279.88 (7/2/69)	13.23 (7/7/32)
Utilities	87.50	87.56	87.20	87.14	86.96	86.85	91.90 (4/2/76)	72.02 (2/1)	163.32 (20/4/65)	10.58 (28/4/42)
Tr'ding vol. 000's	18,510	22,510	52,610	22,460	19,410	18,090	—	—	—	—

	Mar. 19	Mar. 12	Mar. 5	Year ago (approx.)
Ind. div. yield %	3.76	3.74	3.78	5.05

STANDARD AND POORS

	Mar. 23	Mar. 22	Mar. 19	Mar. 18	Mar. 17	Mar. 16	1975-76 High	1975-76 Low	Since compilat'n High	Since compilat'n Low
*Industrials	116.16	115.61	115.14	112.89	115.48	118.54	115.76 (25/3/76)	77.71 (8/1/75)	556.71 (11/1/73)	77.71 (8/1/75)
†Composite	102.24	109.71	100.58	100.45	100.86	100.92	102.43 (24/2/76)	70.74 (8/1/75)	108.81 (12/1/73)	70.74 (8/1/75)

	Mar. 24	Mar. 17	Mar. 10	Year ago (approx.)
Ind. div. yield %	3.25	3.68	3.34	4.03
Ind. P/E Ratio	14.04	13.66	13.94	9.60
Long Govt. Bond yield	6.67	5.78	5.80	6.06

N.Y. S.E. ALL COMMON.

Mar. 26	Mar. 25	Mar. 24	Mar. 23	1975-76 High	1975-76 Low
54.87	54.84	55.15	54.56	55.15 (24/3/76)	37.05 (2/1/75)

Rises and Falls Mar. 22.

Issues Traded—1,846 Up—761
Down—633 Same—452
New Highs—71. New Lows—6.

MONTREAL	Mar. 26	Mar. 25	Mar. 24	Mar. 23	1975-76 High		1975-76 Low	
Industrial	204.42	205.16	204.36	201.90	205.67	(25/3)	159.08	(2/1)
Combined	193.83	194.83	195.14	192.70	198.87	(25/3)	158.05	(2/1)
TORONTO Industrial	190.53	191.62	192.59	190.95	197.43	(20/2)	159.41	(2/1)
JOHANNESBURG Gold	210.4	211.9	215.3	217.1	373.1	(12/1)	199.2	(9/12)
Industrials	202.8	202.2	201.8	201.7	236.9	(16/7)	185.2	(23/1)

	Mar. 26	Previous	1975/76 High	1975/76 Low
Australia (a)	464.22	464.55	472.91 (12/3/76)	329.82 (2/1/75)
Belgium (b)	107.25	102.19	116.21 (3/2/76)	89.07 (3/1/75)
Denmark (d)	103.02	102.57	107.73 (27/1/76)	75.26 (15/1/75)
France (e)	70.8	72.8	74.3 (3/3/76)	51.70 (2/1/75)
Germany (f)	206.9	510.8	821.7 (11/3/76)	573.5 (2/1/75)
Holland (g)	100.6	100.7	107.8 (6/5/75)	82.2 (2/10/75)
Hongkong (h)	422.01	445.78	465.35 (17/3/76)	160.42 (9/1/75)
Italy (k)	80.22	80.82	106.86 (21/2/75)	75.41 (17/10/75)
Japan (m)	342.49	343.51	344.51 (24/3/76)	268.24 (10/1/75)
Singapore (n)	261.86	262.30	286.16 (5/2/76)	153.36 (3/1/75)
Spain (p)	87.15	87.93	110.36 (22/4/75)	87.15 (26/3/76)
Sweden (q)	416.12	420.25	436.27 (25/3/76)	310.56 (9/1/75)
Switz'rl'd (r)	291.1	294.4	296.3 (17/3/76)	209.5 (2/1/75)

Indices and base dates (all base values 100 except NYSE All Common—50): (a) Sydney All Ord. (b) Belgian SE 31/12/63. (d) Copenhagen SE 1/1/73. (e) Paris Bourse 1961. (f) Commerzbank December, 1953. (g) Amsterdam Industrial 1970. (h) Hang Seng Bank 31/7/64. (k) Milan 2/1/73. (m) Tokyo New SE 4/1/68. (n) Straits Times 1966. (p) Madrid SE 31/12/74. (q) Stockholm Industrials 1/1/58. (r) Swiss Bank Corp. 31/12/58. (u) Unavailable. ‡ Excluding bonds. * 425 Industrials. † 425 Inds., 50 Utilities and 25 Rails.

HONG KONG

[illegible]

† Buyer. ‡ Seller.

SINGAPORE STOCKS

[illegible]

* Bid. † Buyer. ‡ Seller.

I.G. INDEX
GOLD 130½-133½

CORAL INDEX
Close 410-415

OVERSEAS SHARE INFORMATION

NEW YORK

1975-76 High	1975-76 Low	Stock	Mar. 26
64¼	38⅞	Corning Glass	64¼
49⅜	32⅜	CPC Int'national	44
31½	19	Johns Manville	31⅝
99⅜	72¼	Johnson Johnson	89⅛
3½	1¼	Reading	2
40⅞	22⅞	Republic Steel	35¼

[illegible]

Investment premium based on $2.60 per £1—106% (102%).

CANADA

[illegible]

GERMANY

[illegible]

MILAN

[illegible]

PARIS

[illegible]

SWITZERLAND

[illegible]

BRUSSELS/LUXEMBOURG

[illegible]

STOCKHOLM

[illegible]

TOKYO

[illegible]

OSLO

[illegible]

CANADIAN WEEKLY LIST

[illegible]

AMSTERDAM

[illegible]

COPENHAGEN

[illegible]

VIENNA

[illegible]

SPAIN

[illegible]

FINANCIAL TIMES SURVEY

Monday March 29 1976

BREWING

Everything seems to be going into reverse for the U.K. brewing industry. It used to be taken for granted that its inexorable growth would continue come what may. That myth is about to be exploded. Beer sales are falling and most companies are going to find it very hard to match previous profits and growth.

mand ls off arply

YEAR beer production 39.54m. bulk barrels ghly 11.4bn. pints) and 2 per cent. up on the itput. This was right with what the industry ie to expect since trade to revive in the early Up to that time a steady in beer sales had pro- ie brewers with a major e.

in the longer term the e forecasters expect g trend to reassert But at the moment we messing one of those itions," one of those hs when the sales graph a slight dip instead of ing inexorably upwards. Brewers Society Statistics y Group, which includes of the industry's most forecasters, recently pre- that beer sales in 1976 w a 1.2 per cent. drop, it time such a setback ave overtaken the trade 66. We cannot look for- any resumption of the trend until 1978 s, said the brewers.

t the year has begun in which has made the shudder. In January ion was down by nearly 16 per cent. on the same month in 1975 and, even allowing for special factors such as the one less brewing day and de-stocking by tenants, this represented a real drop of 5 per cent. or so. Then the February figures will show, when eventually released for public consumption, that there was a drop of nearly 8.5 per cent. on February 1975 output and this time there were no mitigating circumstances. Something really seems to have gone wrong in Scotland where production fell by 20 per cent. in February.

The only consolation the brewers have is that the message implied by the falling sales will have been noticed by the Chancellor of the Exchequer and that he might therefore leave the industry alone in the forthcoming Budget.

Along with the steady increase in volume sales over the past ten years has gone "trading up" as customers bought higher priced beers (with their bigger margins of profit). The "kegs" surged forward through the 1960s and the lagers in the 1970s.

The growth in consumer spending on beers in real terms has certainly been faster than the rise in the volume sold, otherwise the industry would not have reached such a thriving state. There has, in fact, been a remarkable consistency about the statistics over the years, showing that between 4 and 4½ per cent. of all consumers' expenditure goes on beer. The more disposable income available, the more has been spent on beer, something that need not necesarily have happened and did not happen for other food and drink products.

Now a combination of the squeeze on incomes produced by the voluntary pay limits, short-time working and high unemployment over a long period on one side and the very rapid rise in beer prices over the past year on the other is steadily eroding the customers' ability to go on drinking in the style to which they have become accustomed.

g the hops to the unboiled wort at Young and Co.'s brewery at Wandsworth.

Leisure

The "trading up" to higher priced beers was only one element in the brewers' success in exploiting the leisure boom which accompanied the fast rise in general living standards in this country. They spent heavily on the pubs, making them attractive to women and therefore doubled the potential numbers of customers. Young people deserted the coffee bars for the pubs too, once the pub shrugged off the old "image" that branded it a place that only the middle-aged and older people would find amenable.

The survival of the pub as a "leisure centre" in the face of the onslaught of the television age—an onslaught that has significantly damaged other leisure businesses like the cinema and soccer, for example —bears witness to the marketing skills the brewers employed during the hectic years of change.

The major companies also spread their operations heavily into wines, spirits, soft drinks, hotels and so on. Sadly for them, the prospects for all these operations in the short-term are like those for the U.K. economy, not particularly bright until next year at least.

"Trading down" instead of up began to show itself last year and many brewers believe it too will continue for a while. The process has taken various forms. Customers have been switching from drinking spirits to drinking beer, and from drinking one type of beer to another which is less expensive. They have been moving from the usual outlet they have used to one which offers lower prices — more easily checked now pubs have to put up price lists. They have been taking their beer home to drink instead of going out to the pub. In some cases they have been cutting down on the amount of beer they drink.

Tony Simonds-Gooding, Whitbread's marketing director, put it this way when giving tenants a warning recently that "it's going to be tough in 1976." He said: "If beer sales drop by 5 per cent. it would be dramatic. Yet it needs only the 20-pint a week man to drink 19 pints for that to happen."

This Survey was written by Kenneth Gooding

The illustration is vivid and enough to send a shiver through an industry where a very small drop in volume sold can have a big impact on profitability of the production operations. Trading down hits profitability at the retail end of the brewers' business.

As the weather this coming summer can hardly be expected to match that experienced in most areas last year (and the sun sells more beer than anything else so it seems), as tougher drink-and-driving laws are on the way and as the Chancellor might still produce some nasty shocks in the Budget, you can understand why there is a certain air of gloom around the industry.

It has not been relieved to any extent by the knowledge that the industry has been chosen by the Government as one to be examined under the new Industrial Strategy, a strategy which involves taking a close-up look at the 30 major U.K. industries to see if they could do with any State help to boost their efficiency and enable them to contribute more effectively to the balance of payments.

The brewing industry has shown a balance of payments deficit since way back, thanks mainly to the Guinness imported from Ireland. In 1973 the trade deficit reached £22.4m., but was back to a more normal £14.7m. the following year. Shifting beer around is an expensive business and there is not likely to be any great upsurge in exports. But the industry makes a major import saving contribution because it has been able to switch production to Continental-style lagers as Britain developed a growing thirst for this kind of beer.

However, even this situation is not particularly clear because Heineken, Carlsberg, Tuborg, Carling Black Label and Kronenbourg are all brewed under licence from Continental brand owners and cash will be flowing out to them anyway.

It is some time now since the industry was convulsed by the mergers which produced the major companies and a situation where seven major companies now account for 90 per cent. of the beer market.

There might be some minor tidying up operations but unless the current anti-merger sentiment which pervades society fades away the days of the big brewery get-together seem to be over.

As it happens, the two biggest companies in the industry—Allied Breweries and Bass Charrington—both gained new chairmen within the past year and both agree on this point. They both look for a period of consolidation as they try to ride out the current storms. Derek Palmar of Bass is certain his group would run into Monopolies Commission problems if it made any worthwhile bid for another beer group.

Opposed

He remains, too, "totally opposed to diversifications outside the leisure industry. We have a sufficient portfolio of interests without going outside."

Keith Showering at Allied echoes this sentiment. "Over the next year or two it will not be a question of how you can expand. It will be a question of how do you hold on to your existing position." Even in the longer term he will hold out no possibility of "exciting changes in direction for Allied." He is determined that the group should "stick to those areas where we have special skills. We know about running retail properties, including hotels, and selling brands, non-alcoholic as well as alcoholic. We will not diversify."

This does not, we must assume, preclude a future bid for Trust Houses Forte in which Allied has a 26 per cent. holding and still sincerely believes would make a lovely marriage partner.

Nor does it preclude more of the kind of bid Whitbread made last year to pick up the Long John International Scotch whisky company. Whitbread saw this as a business which it already knew something about and, in particular, as a way to build up overseas earnings via Long John's sales in Europe.

Ironically, it is the smaller fry in the brewing industry which seem to have the chance of making better headway in current conditions. They have not spread their interests so far into the leisure industry and many are still predominantly beer producers and sellers. Also, their beers tend to be the cheaper varieties—the kind customers are supposed to be looking for to-day. On top of that they might also benefit from the revival of interest in "fined" (or cask conditioned) beers, buck the trend and record higher sales this year while total industry volume goes into decline.

SEVEN BIGGEST COMPANIES

	Estimated beer market share %
Bass Charrington	20
Allied Breweries (trading as Ind Coope, Tetley and Ansells)	16
Grand Metropolitan (Watney, Truman, Webster, Drybrough)	14
Whitbread	12
Scottish and Newcastle	10
Guinness	9
Courage (part of Imperial Group)	8

U.K. BEER PRODUCTION

	Million bulk barrels
1960	26.5
1965	29.6
1970	33.7
1975	39.5

Changes in the law may have a major impact

TOUGHER drink-and-driving laws, longer pub opening hours and licensed outlets where the whole family—including the children—are welcome could be with us by the end of the year if two important pieces of legislation go through as expected.

Since the end of last year the Minister of Transport has had the report prepared by the committee under the chairmanship of Mr. F. Blennerhasset QC which was set up to look at the drinking and driving laws. We are still waiting for the details to be published and, more importantly, to hear what action the Government might take as a result of the recommendations it contains.

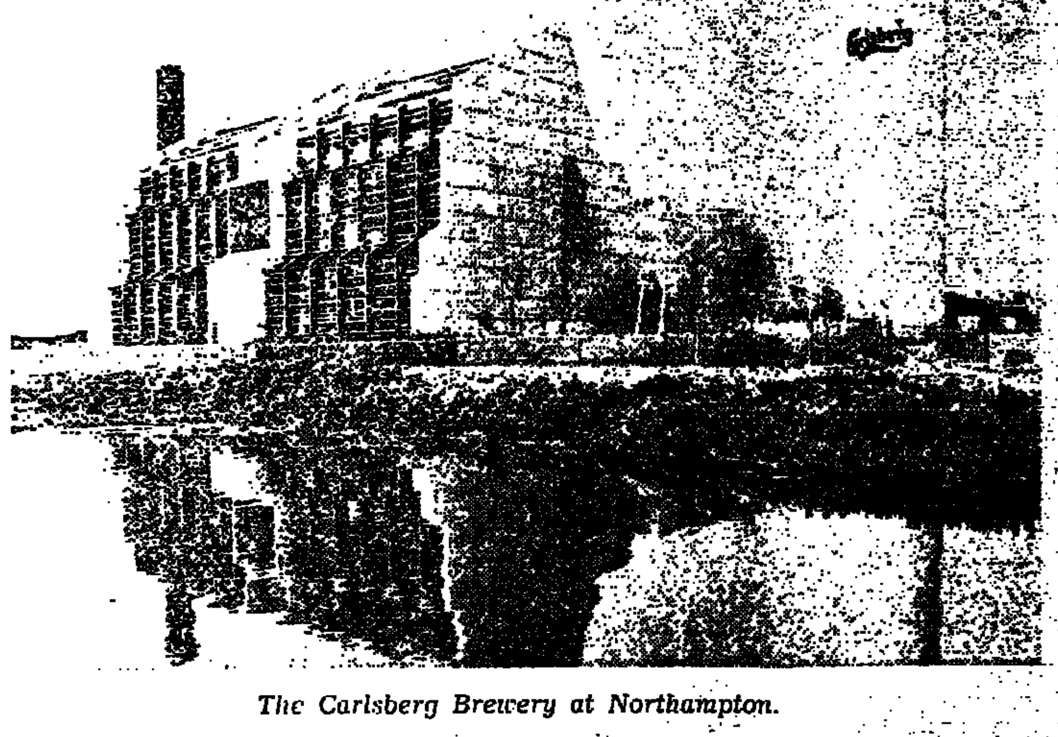
Meanwhile a Private Members' Bill aimed at some licensing law reform passed its first major hurdle last month when it was given an unopposed second reading in the Commons. It now faces the tough task of securing time for a committee stage where MPs can give detailed consideration to its provisions.

The Government is taking a neutral stance on the Bill, being neither for nor against it, although Home Office Minister Dr. Shirley Summerskill said in last month's debate that the Government believed any general reform of the licensing law would best be carried through by Government legislation.

So, of the two possible pieces of legislation, the one more likely to be with us at the year end is the one to do with drinking and driving. We can only make educated guesses about what the Blennerhasset report contains but there are probably four main recommendations it could have suggested.

1—That more accurate testing devices, using improved technology, be used and that the loopholes in the current law which have allowed some drivers to escape conviction be closed.

2—That there be much more severe penalties for those convicted.



The Carlsberg Brewery at Northampton.

3—That there be random testing of motorists and that the police standardise procedures throughout the country in this respect.

4—That the current limit of 80 mg of alcohol per 100 ml of blood which leads to conviction for any driver on the move should be lowered.

In their recent analysis of these possible recommendations, stockbrokers Sheppards and Chase maintained that stricter penalties and random testing would have a serious effect on the consumption of alcohol in the short term.

Apart from heavier fines and the imposition of much longer periods without the use of a driving licence, the Government might also consider establishing two types of offence as is the case in Northern Ireland. One is for those drivers caught just over the legal limit and one is for those well over the limit.

It might be that drivers found guilty of being well over the limit will be unable to apply for a driving licence for some years and, when the application is made, will have to support it with medical evidence that the applicant is no longer likely to repeat the offence.

As for random testing, the impact could to some extent be judged from the situation in Cheshire last August when the police strictly enforced the existing law and the number of prosecutions rose substantially while alcohol consumption outside the home dropped dramatically.

Amounts

On the contentious issue of a change in the 80 mg limit, the important factor is the British Medical Association's analysis which attempted to show the "accident proneness" of drivers after they had taken various amounts of alcohol. From the BMA's finding it seems that the degree of accident proneness does not rise materially up to 50 mg but then rises sharply and that any driver with 80 mg of alcohol is probably three times more likely to be involved in an accident than a driver with only 50 mg.

So on this evidence there seems good grounds for suggesting that a 50 mg. (or lower), limit, if properly implemented, could make the breathalyser more effective. This is one change which would not require fresh legislation but could be introduced by Ministerial regulations.

The great imponderable about any drinking and driving legislation is the public acceptance. If the public on the whole believes that it is good legislation and deserves support, then the police have an easier job and can more effectively make the new law stick by prosecuting offenders.

So far the British seem reluctant to accept that the man who drives with more than 80 mg. of alcohol per 100 ml. of blood has committed an anti-social act even though the law says he has committed a criminal offence. This is an offence that people publicly own up to and sometimes boast about.

Unless attitudes change considerably the police will have no incentive to make any new drinking and driving laws operate properly and the effect on the brewing industry will be as short-lived as when the breathalyser made its first appearance in this country in October 1967.

If the Private Member's Bill to change what the sponsoring MP, Mr. Kenneth Clarke (Con., Rushcliffe), described as "England's complicated, archaic and uncivilised" licensing laws succeeds in making its way to the statute books then the effects will be longer lasting.

Two major reforms are proposed by Mr. Clarke's Bill: extension of public house permitted hours so that they c[an] open from 10 a.m. to mid[night] and measures to help dev[elop] the Continental style of café where adults can [take] children.

The Bill incorporates [some] important safeguards. Alth[ough] it proposes that children be [per]mitted on certain par[ts of] licensed premises with adu[lts, it] insists that this be only [until] 8 p.m. At the same time [Mr.] Clarke stresses he would [seek] an undertaking from [the] Brewers' Society that tenan[ts of] their pubs and their ma[naged] employees would not be o[bliged] to open all the additional h[ours].

Comment

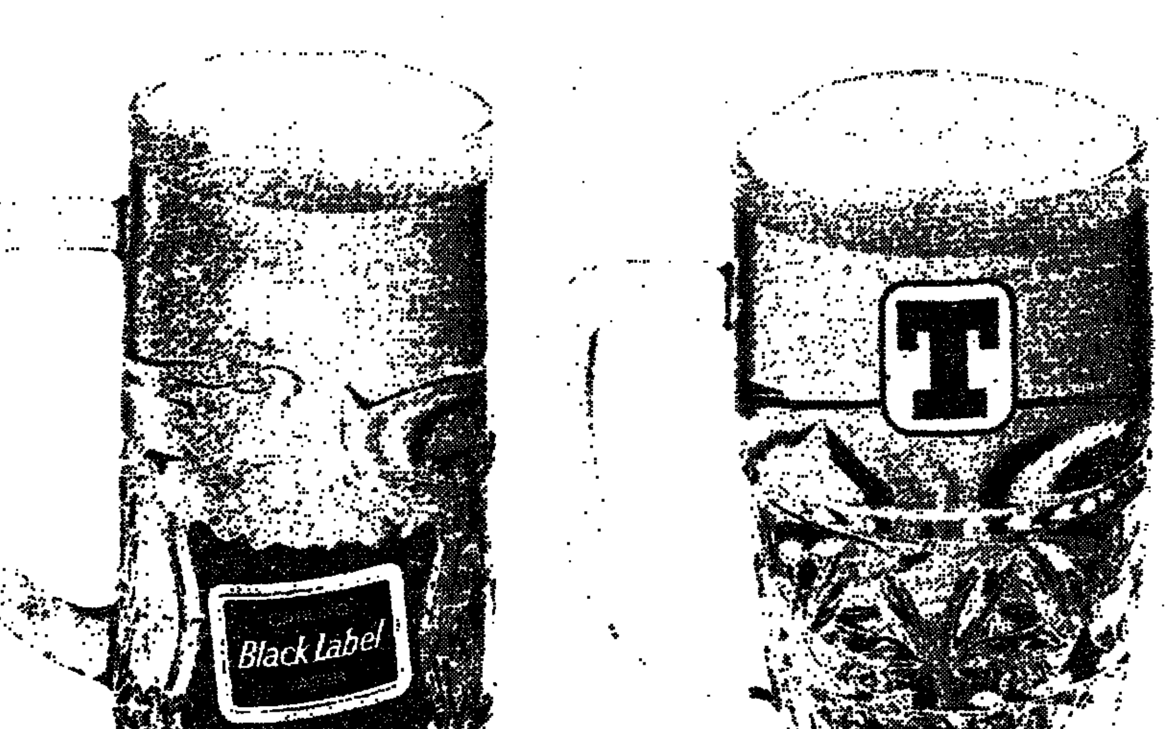
In the February debat[e Dr.] Summerskill made a pe[rsonal] comment. She said that it [would] be better if the Governme[nt it]self dealt with licensing [and] "if Ministers believed [that] reform was necessary afte[r they] had completed considerati[on of] the Erroll report." The [Erroll] report was published [in] December 1972, since whe[n the] Government has treated it [with] a kind of embarrassed dis[dain], letting interested enqu[irers] know that "we will get ar[ound] to it some day."

This is understandable. [The] subject of liquor law [a]rouses passions. Lord B[...] who as a former Home Secr[etary] had the task of steering [the] existing Licensing Act [through] Parliament, once told me [that] in all his Parliamentary [career] he had never had a more [diffi]cult subject to deal with.

Anyone attempting eve[n to] tinker with the law finds [him]self confronting partic[ularly] vocal pressure groups wi[th] brewers and licensees o[n one] side, the teetotalers on the [other] and the churches somewhe[re in] the middle. The medica[l pro]fession, social service [and] local magistrates also wa[nt a] say.

It is not just one, bu[t ...] Government-sponsored org[anisa]tions which have insisted [that] Britain's liquor laws [be] liberalised. Their deliber[ations] covered a period of seven [years] and involved a treme[ndous] expenditure in time, energ[y and] cash. But ministers are [still] considering."

CONTINUED ON NEXT PAGE



Building programme starts to pick up

ANY TIME NOW Whitbread will bring back to life its project to build a new brewery for the West which will go up at Magor, near Newport, Gwent. The scheme was shelved for some time when it became a victim of the brewing industry's capital expenditure cuts in 1974-75 after it was caught badly by rapid inflation and the Price Code. Like most other manufacturing industries, brewing had to switch its main attention to the conservation of cash.

The delay has to some extent been a costly one for Whitbread. Original estimates about the cost of the Magor brewery, which will have a capacity of around 1.6m. barrels a year, put it at £12m. By the beginning of 1975—two years after those first estimates were made—the cost had risen to a forecast £30m. So it seems that Whitbread can now face a bill of at least £40m. to £45m. when it goes ahead.

Essential

The company has been impatiently waiting to give the green light for the project and has been working on the site since last autumn, carrying out jobs which any company would have first to complete before building any kind of major plant there.

But financing for the Magor brewery is tied up closely with the company's ability to get through its plans to develop the old Chiswell Street brewery site in the City of London. It was absolutely essential that the Chiswell Street scheme should have started before the Development Land Tax was introduced because, when in force, this will deny the company roll-over tax relief on its reinvestment of Chiswell Street profits in the new Magor brewery. Whitbread would also like to know just what investment incentives might be included in Price Code changes which are on the way before punching the "go" button.

The industry seems to have been lucky in that many of the major brewery projects were completed before inflation ran riot in the U.K. But there are still some other big schemes in the pipeline, apart from Whitbread's.

Courage, the Imperial Group subsidiary, has almost cleared all the planning hurdles before starting next month on its proposed brewing and distribution complex on a site just south of Reading. The brewery will be of moderate size by to-day's standards with a capacity of up to 1.5m. barrels a year. However, even though Courage would probably have liked to build one four times that size, the capital investment involved was prohibitive. The planned complex will cost at least £36m. as it is. And there will be room for expansion as only three-quarters of the 110-acre site will be covered by the initial development.

Another aspect of the decision was the industrial relations problems which would have been involved in the closure of Courage's London and Bristol production centres to make a really huge Reading brewery worthwhile.

The Northern Clubs Federation, a company owned by the 650 clubs it supplies with beer, is much further ahead with its brewery currently going up at the Dunston Industrial Estate, near Newcastle. The planned capacity for the brewery is 2m. barrels a year, making it one of the U.K.'s biggest when completed. The NCF had been unable to get permission to expand its 250,000 barrels a year brewery near Newcastle Central Station and opted for the new plant instead. The federation paid around £300,000 for the 30-acre Dunston site and managed to persuade the Co-operative Bank to put up a substantial part of the £10m. the brewery is expected to cost.

It was natural that the NCF should turn to this particular bank for help with finance, for the Co-op Bank is already heavily involved with the working men's club movement and it is estimated that more than one-third of Britain's membership clubs bank with it.

Up to 22 per cent. of the cost of the buildings and equipment could be offset by Government grants because the project is in a development area. The scheme will also attract regional employment premiums. Apart from dramatically increasing its brewing capacity, the new brewery will allow the NCF to brew its own lager brand at last.

It has been the switch in public taste to lager beers that was one important factor in the boom in brewery building during the late 1960s and early 1970s. Whitbread built its Luton brewery specifically to brew Heineken lager under licence and then went on to develop another at Samlesbury in Lancashire with lagering capacity.

The Carlsberg brewery at Northampton, developed at a cost of £14m., was also required following the trading link with Watneys which used Carlsberg as its "house" lager brand.

Harp Lager, a consortium company now owned by Guinness, Courage and Scottish and Newcastle Breweries with Greene King having a very small stake, spent £13m. between 1971 and 1974 to raise capacity at its four lager-only breweries.

Equipment

Part of the new Courage capacity at Reading will be taken up with the brewing of Harp lager. All this because, while it is perfectly possible to brew English ale at a lager brewery, it is not possible to brew lager without special lagering equipment.

The other factor which played a part in the brewery boom was the spate of mergers from which the major brewing groups developed. Although those mergers had more to do with putting together national chains of pubs and the marketing strength this gave to the groups in their attack on the "free" (or non-brewery owned) outlets, they also left the industry with a great deal of production tidying up to do. For exa[mple,] when Whitbread gets Mag[or on] the move there are three breweries within reasonabl[e dis]tances which would be rip[e for] closure, while Bass Chai[ring]ton's new brewery at Ru[ncorn] was designed to release [...] old breweries which were [reach]ing the end of their usefu[l life].

Delays in completion of [Run]corn saw the scheme caug[ht] in the inflationary spiral [and] the gross cost soared by [a] third to £30m. However, [Bass] is entitled to various [...] grants because Runcorn is [in a] development area and ha[s] been able to sell off [old] breweries to help offset the [cost]. Even so the net cost rose [from] £16m. to between £20m. [and] £25m.—still leaving the p[roject] extremely viable.

Runcorn is a brewing [and] packaging complex wit[h a] capacity of 2.5m. barrels a [year] and could cope with up [to ...] per cent. of the group's [total] beer requirements. A s[econd] phase at Runcorn is al[so] planned — but will not [take] place for about five years. [In] the meantime more lag[er] capacity is being added—[at a] cost of around £2.5m.—to [pro]vide room for Bass to br[ew its] newly-acquired brand T[...] for the U.K. And, as fu[rther] evidence of the impact of [lager] on brewing industry invest[ment], Harp is also having to [expand] again and also to cope w[ith a] new brand—this time Kr[onen]bourg. The company [is to] expand its Manchester br[ewery] at a cost of £3.25m. (whe[re the] latest development was [com]pleted only last June) to [step] up capacity from 60[0,000] barrels a year to 1.4m. ba[rrels]. Like Bass, Harp will inv[est in] new fermenting capacity [and] refrigeration plant.

Lager now setting the pace

BEER DRINKERS of n have produced three icant changes in taste for ıdustry to cope with over ast 25 years or so. The saw the boom in demand ottled beers. The 1960s the rise of the "keg" Now, in the 1970s, lager ting the pace. The in- forecasts are for lager e anything from 25 to 40 ent of the total beer t in the U.K. by the early That would bring the us into line with Scotland four pints of beer out of ten consumed last year of lager but leave us well the world beer market 90 per cent. is lager.

as rather late in the 1950s e gradual arrival of more ı and young people in the peeded up the big switch lled beers. People were for beers they could " The traditional draught which needed to be kept ne condition was at the of the microbes as well e publicans' lack of ex- and did not offer the tee that it would come same every time it was for.

ı keg beer began to be ed. This offered the stable (some say sterile) es the consumers seemed ooking for. In 1960 keg had only 1 per cent. of tal beer market. Now lled and filtered product is guaranteed to reach rs (like bottled beer) ne same characteristics it en it leaves the brewery, as for roughly two pints As a result the pendulum radually swung back in of draught beer so that has 75 per cent. of sales.

has certainly paid the rs to put their promotional behind this tendency is keg and lager beers. rt with these beers usually etter profit margins than onal beers and their y enables them to be ed in vast quantities (the conomical way of produc- er) and to be distributed miles away from the y.

le

up-and-coming beers have ilarly hit sales of mild. 9 this style of beer had sive 40 per cent. of the t. By 1969 that share was to 24 per cent. and last t was under 14 per cent. ecline was to some extent l to improving standards ıg because mild was, and particularly popular in industrialised areas like st Midlands, South Wales, est Riding of Yorkshire e North-East. It was the rink to replace lost sweat ple leaving work places el mills. Most industry ers expect that mild will e to decline in popularity han any other style of the 1970s progress.

mergers of the 1960s produced to-day's giant with national and inter- coverage were followed nalisation on the pro- front. Small, out-of- l uneconomic breweries sed down to make way giant beer-making and g plants which have nd will continue to be a of the 1970s.

industry also took to hint from the 1966 re- the Prices and Incomes which suggested "pro- could be made more e through a reduction umber of brands." The swiftly cut the 3,000 l brands on sale by half. Beers red with the breweries which closed down or were phased out some other way.

Currently some marketing men feel that perhaps the big brewing groups went just a little too far with this brand rationalisation. Anthony Tennant at Watney is one of them. He points out that customers have a great deal of loyalty for their "local" brews and his group aims to have good local draught beers available in most of its trading area.

Revival

To some extent the revival of the marketing men's interest in the "local" beers has come about because of the activities of the devotees of "fined" beer. This is sometimes misnamed "real" beer because it leaves the brewery in an active condition and is not pasteurised like the kegs or lagers.

All the major brewers have reacted to the Campaign for Real Ale (CAMRA) by pointing to the "fined" beers they already have in their portfolios and have been giving these brands more attention than they have had for many years. For some of the small brewers this renewed interest in "fined" beer has been very important indeed. It has given many of them a marketing "plus" they have not had for decades.

Perhaps the most extreme example of what CAMRA and "fined" beers have achieved in recent years is the story of CCH Investments which bought the Bellhaven Brewery in Scotland mainly to service the group's hotels in that country. Since the hotel and leisure end has suffered dramatically in the recession, the hotels are gone and CCH is now getting most of its profit from the brewery.

Another pointer to what is happening in the beer market came earlier this month from North Country Breweries. (For those who still say; Who? NCB is what was once called Hull Breweries before it was acquired and revamped by what was once called Northern Dairies and is now Northern Foods). Chairman Nicholas Horsley reported that, because "in line with national trends," sales of packaged beers fell in the last financial year, NCB was to withdraw from packaged beer production. The company is to make arrangements with other brewers to sell their packaged beers in exchange for them taking more of NCB's draught.

Mr. Horsley is not alone in believing that packaged beers will remain in a "no-growth" situation at least until 1985. Forecasts produced early this year by the Brewers' Society Statistics Advisory Group showed the majority of the experts predicting that packaged beers would account for 10m. barrels in 1985 against 10.1m. last year.

However, within that overall "packaged" beer total they expected sales of canned beers to double and those of the bottled varieties to fall by more than half. This obviously reflects the developing role being played by supermarkets (which prefer cans) in the take-home beer trade.

The rising flood of demand for lager has been, generally speaking, bad news for the smaller brewers. Unable to afford the high-priced equipment needed to make lager (you can brew English "ale" in a lager brewery but you can't brew lager in an "ale" brewery) some of them attempted to jump on the bandwagon by producing what they call lager by using different types of hop and yeast and by storing the beer a little longer. Certainly it is the length of time for which the beer is stored which is one of the basic differences between "ale" and lager. But the fermentation process is also a vital element.

In the brewing of "ale," yeast collects on the surface of the beer during fermentation and is skimmed off—so the process is known as "top fermentation." Lager is subject to "bottom fermentation." The yeast, after working in the beer, sinks to the bottom of the vessel and is retrieved after the beer has been run off on its way to a second period of fermentation. Those brewers who produce "top fermented" beers they called lager have a rather strange product and one which often deserves the industry's term for such beer—"bastard lager."

But how else were they to react when lager sales were growing at a steady 20 per cent. a year against a total market going up at only 3 per cent. During the past ten years lager sales have grown 12-fold from 600,000 barrels to 7m. barrels (there are 288 pints to the barrel) while the total market is up only one third from 30m. to 40m. barrels per annum.

If they were to get any of this business they had to make some attempt to join in with the big boys in the industry, who, it must be said, produce their lagers in the approved Continental manner.

It is the major groups which dominate the lager market and the market shares show by just how big a margin. There are no official ratings but no one in the industry would argue very much about the figures quoted below.

Bass Charrington's two brands, Carling Black Label and Tennents (the brand name used for the same beer in Scotland), have 27.7 per cent. Harp, the brand owned by a consortium consisting of Guinness, Courage and Scottish and Newcastle with equal shares and with Greene King having 2 per cent., accounts for 24 per cent. Skol, the Allied Breweries brand, has 16.6 per cent., and Heineken, brewed in the U.K. by Whitbread under licence from the Dutch group, 15.2 per cent. Carlsberg, now wholly owned in the U.K. by United Breweries of Denmark but retaining strong trading links with Watney and Watney's parent Grand Metropolitan, 12.5 per cent. That leaves 4 per cent. for the others to share.

This year, however, some significant changes will take place in the U.K. lager market. Both Bass and the Harp consortium are already embarked on campaigns for lagers new to their portfolios. Bass has taken on the Tuborg brand while Harp has introduced Kronenbourg. Apart from spending hefty sums on advertising and promotion for these brands, both Bass and Harp are spending in the region of £3m. each on providing production facilities for them.

All this follows another development over the past year or two. Lager drinkers have begun to seek a choice between the standard-priced lagers sold on draught and the higher-priced premium lagers.

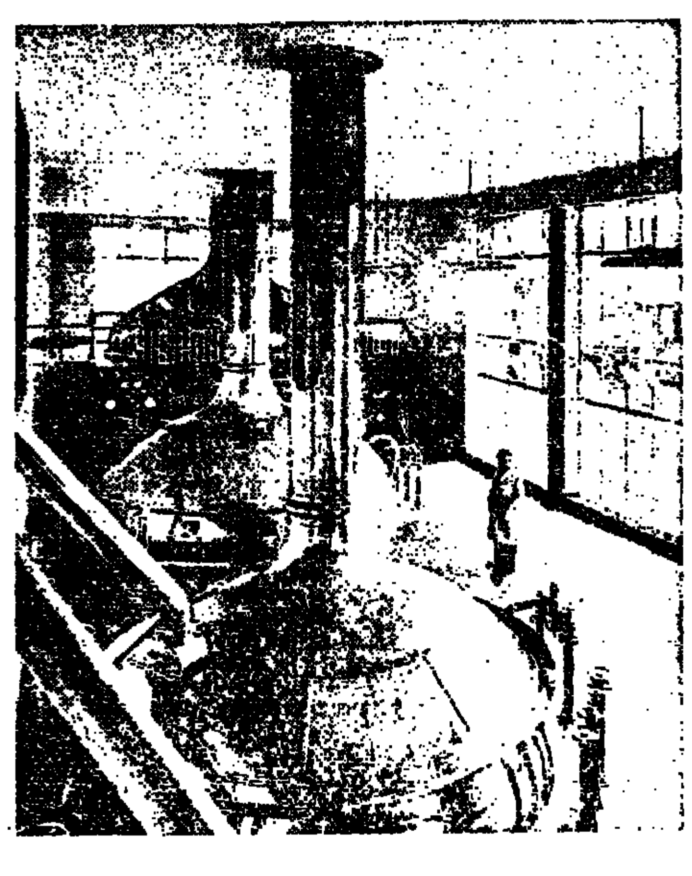
Opportunity

"This process, which marketing jargon describes as 'segmentation,' will continue and we believe that our best opportunity of ensuring that this company gains a full share of future increases in lager sales will be achieved by developing Harp as our standard brand and Kronenbourg as our premium lager," says Paul Mitson, marketing director of Harp Lager (Sales).

Segmentation has more to do with price and strength than with brands but there is the problem of identification when selling to the important "free" (non-brewer owned) outlets—some 18,000 pubs, 25,000 off-licences and 28,000 clubs at the last count. It would be difficult for the salesman to differentiate between two styles of lager carrying the same brand name. He could not praise one without appearing to denigrate the other. "Instead of one brand with two qualities we wanted two brands with different qualities," is the way Mr. Mitson puts it.

Bass takes the view, too, that no single beer brand in the U.K. is likely to sell much more than 2m. barrels a year (576m. pints). Only Guinness, which is in a special category of its own, sells more than that. If Carling-Tennents sticks at that level while the lager market continues to increase, Bass would obviously lose some share of the market.

Both Bass and Harp agree that by 1984-85 lager production should reach 15.8m. barrels against an estimated 8.35m. in 1975-76, given that total beer sales continue to progress at a steady 2.5 per cent. a year. They also have no doubt which types will suffer. Mild is one, of course. The returnable bottled beer business will also decline. And even bitter is among the vulnerable beers.



The brewhouse at the Skol lager brewery in Alloa, Scotland.

e law

ED FROM PREVIOUS PAGE

ap, the Erroll com- proposals were that ould have a simplified censing system which ke it much more easy e to obtain permission lcohol both over-the- nd for the take-home is would encourage, it new types of catering hich would then com- the traditional pub. etition was needed if esirable monopolistic rewers have on liquor was to be loosened (a essed home by the s Commission which ed the industry and ort led directly to the p of Erroll's com-

from the two points by the Private Mem- ll currently before t—longer hours and of children to pubs— o suggested that the a youngster should be uy his own alcoholic uld be dropped from He also wanted all selling liquor to come law which would give the right of access to members' clubs, a right they do not presently have.

Lord Erroll himself seems not too dismayed by the time it is taking for the Minister to consider his proposals—more than three years now. He takes the view that the report his committee produced has, in any case, had a radical impact on the liquor trade. Magistrates have taken the hint and been much more willing to hand out new licences, particularly to food retailers wanting to add a liquor section to their stores. The breweres' domination of the take-home trade, if it ever existed, has disappeared for good as the supermarkets have built up their share of the market.

The widespread move into catering by the pubs which has been a feature of the past decade has, indeed, produced a situation where a family can visit the pub together—if they sit in the restaurant area.

And Lord Erroll remains interested enough to offer friendly advice and guidance to the various MPs who have been involved in attempting to get at least some of his committee's proposals into the statutes.

An increasing influence overseas

DIR YOU KNOW that last year Scottish and Newcastle Breweries ran into big problems over the 21-hole golf course it is having constructed in the Languedoc-Roussillon area in Southern France?

Or that Courage Breweries of Australia made a profit in the half-year to the end of December—only the second time since it was set up eight years ago that it has operated in the "black"?

Or that Bass Charrington last year bought out the minority interest in its pub chain in Sweden because its partner there had been nationalised?

Or that Guinness has since January this year been distributed in Metropolitan France by Kronenbourg, the Strasbourg brewing concern which is part of a group which controls nearly half the beer sold in France?

Or that Vaux became the fifth U.K. brewer to get itself a production base in the crowded Belgian beer market 18 months ago?

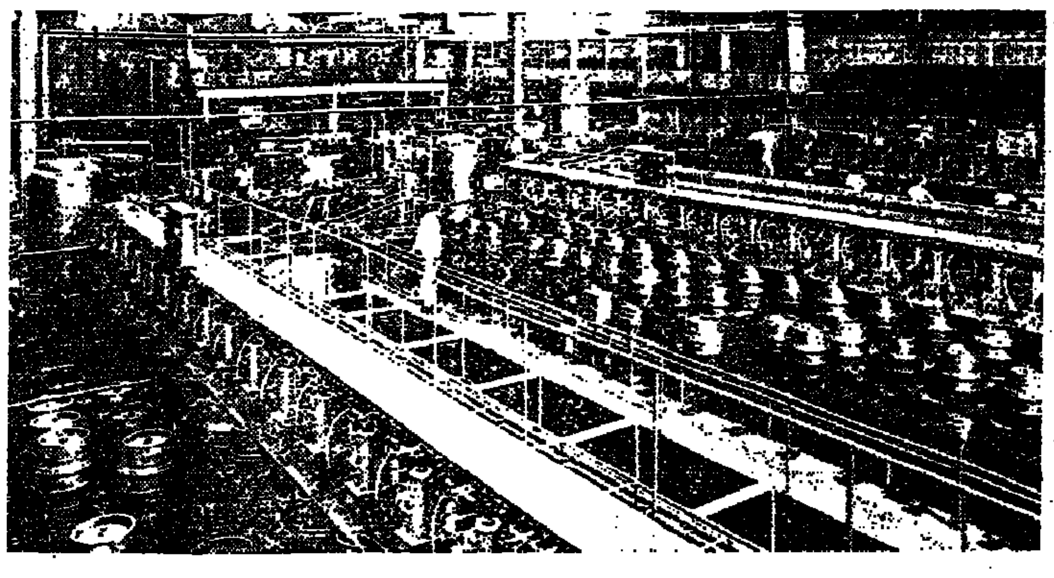
If you answered "yes" to all questions you certainly know the brewing industry better than most because some of these happenings received scant attention when they occurred. They do, however, give some indication of the way the U.K. brewing industry has spread its influence overseas.

One of the most significant of the recent changes in the British brewers' overseas interests was the acquisition by Whitbread of a foothold in the Italian market, the market, according to chairman Mr. Alex Bennett, "with, perhaps, the greatest potential for development in Europe."

Whitbread tied up with Dutch brewers Heineken and between them they took up an 84 per cent. stake in Dreher which, in true Italian style, had 20 per cent. of the market, was the second-largest of the Italian brewing groups and yet was well on the way to going bankrupt. It is taking Whitbread and Heineken longer than they expected to get Dreher into the kind of shape they would like but Mr. Bennett insists "in the longer term we have great hopes of a significant contribution to our profits from this source in the future."

The plans for Dreher include more than just putting the brewing side right. It is intended that the Italian concern should introduce some of the Long John International spirit brands to its portfolio—Long John being another recent Whitbread "buy," but this time in the U.K.

The link between Heineken, one of Europe's half-dozen largest brewing businesses, and Whitbread, third-largest in the U.K., marks the first time that I can recall when two European brewers got together in an attempt to establish a joint presence in a tempting market. The idea has been around for some time, however. When Watney agreed with United Breweries of Denmark to set up a joint production company for Carlsberg in the U.K. (an arrangement since unravelled) part of the attraction was the promise of joint European ventures.



The keg racking lines at Allied's modern brewery at Burton-on-Trent.

Promise

As it happens, last year when United Breweries made its major changes in the U.K.—changes which involved buying out the 49 per cent. Watney stake in Carlsberg U.K. and handing the U.K. marketing-production of Tuborg lager to Bass Charrington—the Danes made a similar promise to Bass. Nothing came of all this during the Watney days, but then Watney was busy first bidding for Truman and International Distillers and Vintners and then getting itself taken over by the Grand Metropolitan group.

But Bass' chairman and chief executive Mr. Derek Palmar is determined that the "understanding" that there should be future co-operation with United Breweries in Europe will lead to something positive. "We will take active steps to see this is developed," he says.

The company which is particularly active in beer markets overseas is Guinness which, because it has stayed out of retailing in Great Britain, has been forced to look elsewhere for growth. Last year Guinness got 26 per cent. of its trading profits from overseas operations—and the figure of £7.5m. represented a 63 per cent. jump on 1974.

The previously-mentioned arrangement with Kronenbourg, part of the BSN-Gervais-Danone group which, apart from being France's major brewer, also had food, beverages and glass interests, will help push up overseas earnings this year.

Changes made late in 1975 took Guinness well on the way towards becoming the first beer to be available nationally in West Germany where regional loyalties have fragmented the market among locally-brewed beers. Mr. Edward Bentley, the director in charge of Continental operations, told me: "We have done our market research and have come to the conclusion that Guinness has a place in the German market. It already has a lot of snob appeal to be seen drinking Guinness, which is distinctive in that there is practically no dark beer sold in Germany."

The start of the new push in Germany involved two deals, one with the Dortmunder Kronen group, which is now distributing Guinness in North-Rhine Westphalia, an area which consumes about one-third of the beer sold in West Germany, the second with Haake-Beck brewery of Bremen in the north.

(Outside Europe Guinness has become particularly strong in the world's equatorial belt. All told there are five countries where it owns its own breweries and nine others where brewing of the brand takes place under licence.)

West Germany's fragmented beer market has always looked an attractive proposition to the U.K. brewers because of its size—the biggest in Europe in terms of consumption—and because the chances are that it will one day follow the U.K. pattern and regroup and rationalise. So far Watney is the only British brewer to find its way in and set up a production base, however. It paid £18.5m. for a 76 per cent. stake in Stern, one of the top ten brewing businesses in West Germany. Mr. Maxwell Joseph, chairman of Watney's parent concern Grand Met., reported recently that Stern had had the "best year in its history" and was one of the few brewing groups in Germany to show increased beer sales.

Watney needed some good news from its overseas operations having had the traumatic experience of needing to provide £4.7m. for two separate "disasters" in its Belgian drinks business. (Watney, with its German and Belgian beer interests, has pushed further than any other U.K. group into Continental European beer scene.)

Collapse

One problem involved Agevin Supermarche de Vin, which had a retail chain, and Grand Met. initially had to face the prospect that the collapse of this very small part of its business—original investment £450,000 in 1969—could cost up to £5m. Then the decision to close the Vandenheuvel brewery because of problems there, gave rise to big redundancy payments. Grand Met. is now concentrating on brewing and selling Maes pils in Belgium and this business is now going well.

The attraction of Belgium for the U.K. brewers is that it is about the only Continental country where English-style ale, as distinct from lager, is sold in any quantity. The Belgians are prodigous beer drinkers and the country provides a good jumping-off point to attack the Northern France beer market—the only part of France where they drink beer as well as wine.

Vaux was a latecomer to the scene and its investment is very modest indeed. The £198,000 it paid for a 76 per cent. stake in Liefmans, a family company operating from Oudenaarde, was only a little more than the cost of opening up a new depot. But Liefmans has a 12-acre site, a fairly modern brewery (by Continental standards) built in the 1940s, and 19 "tied by loan" retail outlets. Vaux's joint managing director Mr. Paul Nicholson said at the time of the purchase: "Not only should this acquisition be self-financing but on top of that we get the base for the expansion we wanted and some useful contacts in Belgium."

Of the other U.K. brewers, Watney is third largest in Belgium, Bass controls Lamot, the seventh-largest concern, Whitbread has its own brewery at Ongerzele and trading arrangements with Artois, the biggest brewer in the country and Young's of Wandsworth is linked with the second-largest Piedboeuf, which has provided brewing capacity for Young's beers. Apart from all that, Courage sells a lot of pale ale via the John Smith wholesaling group in Belgium.

Allied Breweries, "Europe's biggest drinks business," chose to move into Holland instead, buying the Oranjeboom and Breda companies which have been merged under the Skol name. But it, too, sells beer in Belgium via a trading arrangement with the Wielemans Ceuppens company and it owns the Looza fruit juice business there. In Holland Allied has soft drinks and wine and spirit interests as well as the brewing concern and only a couple of weeks ago added Melchers, which produces the "Olifant" gin and other spirits, to its interests by buying that company from Cavenham of the U.K.

This brings us to the other odd companies. Courage has seen the company that bears its name in Australia, but is 58 per cent. owned by local interests, make losses of A$6.6m. (£4.4m.) since it was set up in 1968. But now the corner might really have been turned. In November and December last year Carlton United Breweries, previously a monopoly supplier in Victoria, suffered crippling industrial disputes which culminated in complete close-down of its brewery. The locals, previously had chauvinist refused to touch Courage, because in some way they not believe it was "Austra tried it for the first tim decided it was not too bad all. Some of them migh stay with it. On top of Courage, taking a leaf out U.K. book, decided that it to have more of its own and bought 11 hotels so months ago. The upsho that in the half-year to be ber, Courage Australia made $A448,000 (£2 profit.

All this takes us full back to Scottish and New and its venture in Franc company has not had luck so far with its ow diversifications — its Winery business in the U hit by the recession and first year of S and N's ship lost £370,000 (incl £242,000 interest).

Project

S and N was involved joint company to set up and leisure centre at St. G in Southern France, an a present largely undevelop which is currently developed for tourism as French Government polic project is designed to con 27 holes of golf, a club and associated leisure cen well as a real estate de ment. The real estate will mately be sold.

The fall in property and the recession led S to have a hard look at volvement — a potentia francs at current (£7.3m.). It has decided with the scheme, has control of the proje appointed its own chief tive. Some 18 holes have completed and are being on and a further 18 shou ready in the summer foll by a September opening club.

S and N insists it is optimistic about the long prospects in spite of the term problems it has face, which is roughly most of the U.K. brewe overseas interests of any feel about those businesse

Investment in equipment

THERE WILL be 262 exhibitors showing their products at the International Brewing, Bottling and Allied Trades Exhibition which opens at Earls Court in London to-day. Not all of them will be attempting to persuade brewers to buy their equipment because suppliers to soft drinks and food industries are also well represented.

But the companies offering brewers' equipment are hoping for some revival in investment by the industry from the current fairly low level.

Total brewing industry investment raced up from £50m. in 1970 to £71m. the following year, slipped back to £68.5m. in 1972 and soared to £102m. in 1973 with 1974 providing a £106m. peak.

Last year, according to Brewers Society estimates, the industry invested £84m., a mere £40m. at 1970 prices and in real terms well below the money spent each year since then. In fact, APV Holdings, perhaps the biggest of the U.K. suppliers of brewing equipment, says that the first six months of last year were "very quiet indeed" with hardly any orders coming in from the brewers.

But, says APV, the situation gradually got better in the latter part of the year with the last quarter providing the best months. The trend has contined so far in 1976—"orders involve no vast sums but we are getting quite steady business." (Among that business was a £3m. order for equipment for the new Northern Clubs Federation brewery at Newcastle.)

The supply of brewing industry machinery and equipment is an international business and the trade figures show this admirably. For example, in 1974 50 per cent. of the U.K. industry's output of filling, closing, sealing, capsuling or labelling machines went to export markets. But at the same time foreign equipment took 64.3 per cent. of the U.K. market worth around £23m. In the same year, the U.K. manufacturers of bottling and other packaging machinery had total sales of £20.2m. of which £9.5m. worth was exported. Imports, meanwhile, were running at £16.5m. a year, nearly all of them from Western Europe.

Perhaps one of the most significant changes in the structure of the U.K. industry in recent times which might go towards stemming the inflow of imported equipment, was the purchase by Vickers of the engineering business of Dawson and Barfos for £1m., a deal which put Vickers engineering among the biggest producers of bottle filling, washing and packaging machines for the brewing, dairy and soft drinks industries.

Dawson and Barfos, in spite of its own rationalisation of these operations, had found it could not keep production running high enough to break even. It explained at the time: "The modern developments in the bottling industry are towards ever larger bottling plants which require larger and faster fillers and washers. During the last few years no resources have been available to finance the research and development which would be required to keep the group in the forefront with its competitors and the Board has therefore been faced with the alternatives of either embarking on a deliberate policy of expanding the engineering division and making considerably further capital investment in this field, or of disposing of it."

Fruits

Vickers has spent the past two years or so sorting out its enlarged business and the first fruits of this development programme are beginning to show through in new products. Star attraction at the Vickers-Dawson's stand at Brewex, for example, is a completely new soft drinks filling and crowning machine called the Silverstream. This is a 45-head model and is the first of a range of high-speed pre-mixed beverage fillers. Most important, it has already been sold.

The purpose of Brewex is to provide brewers, bottlers, chemists, engineers, technicians, soft drinks manufacturers and purchasing officers with a comprehensive display of equipment, plant and materials for the brewing and bottling industries.

Sponsored by the Allied Brewery Traders Association, the National Association of Soft Drinks Manufacturers, the Process Plant Association (Brewery and Bottling Equipment Section) and the Committee of European Manufacturers of Food Machinery and organised by Industrial and Trade Fairs, the exhibition will provide five major beer competitions.

Four of them will be concerned with U.K. beers—bottled beer (non-deposit), draught ale (brewery conditioned), draught beer (cask conditioned) and draught lager. The fifth competition is for international bottled lager.

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REGIONAL MARKETS

A selection of the share prices previously shown under regional headings is presented below with quotations on London. Irish issues, most of which are not officially listed in London, are shown separately and with prices as on the Irish exchange.

Albany Inv. 20p	19	.....
Ash Spinning	34	.....
Bertam	30	.....
Bdg'wtr. Est. 50p	151	.....
Clover Croft	25	.....
Craig & Rose £1	327	.....
Dyson (R.A.)	20	.....
Ellis & McHdy.	68	.....
Evans Fr'k. 10p.	23	.....
Evered	9	.....
Fife Forge	60	.....
Finlay Pkg. 5p.	16½	.....
Frost & Reed 50p.	150	.....
Craig Ship. £1	320	.....
Hallam Sleigh 10p	8	.....
Higsons Brew.	100	.....
I.O.M. Stm. £1	138	+3
Holt (Jos.) 25p.	250	.....
Kleen-e-Ze	20	.....
Lovell's Ship £1	70	.....
N'thn. Goldsmith	90	.....
P.M.A.	53	.....
Pearce (C. H.)	80	.....
Peel Mills	13	.....
RobbCaledon5h.	52	.....
Sayers 12½p	16	.....
Sheffield Brick	85	.....
Sheff. Refrshmt.	140	.....
Shiloh Spinn.	26	.....
Sindall (Wm.)	53	.....

IRISH

Alliance Gas (£1)	89	.....
Carroll (P. D.)	128xd	+¼
Clondalkin	54	.....
Concrete Prods.	100	.....
Goodbody (£1)	26	.....
Heiton (Hldgs.)	29	.....
Irish Distillers.	55	.....
Irish Wire	40	.....
Jacob	64½xr	.....
Sunbeam	14	.....
Unidare	70	.....

BASE LENDING RATES

Allied Irish Banks Ltd.	9½%
American Express Bank	9½%
Anglo-Portuguese Bank	9½%
Henry Ansbacher	10 %
Banco de Bilbao	9½%
Banco de Jerez	10½%
Bank of Cyprus	10 %
Bank of N.S.W.	9½%
Banque du Rhone S.A.	10 %
Barclays Bank	9½%
Barnett, Christie Ltd.	10 %
Bremar Holdings Ltd.	10 %
Brit. Bank of Mid. East	9½%
■ Brown Shipley	9½%
Canada Permanent AFI	9½%
Cayzer, Bowater Co. Ltd.	10 %
Cedar Holdings	10 %
■ Charterhouse Japhet	10 %
C. E. Coates	10½%
Consolidated Credits	11 %
Co-operative Bank	* 9½%
Corinthian Securities	9½%
Credit Lyonnais	9½%
G. R. Dawes	10½%
Duboff Brothers	11 %
Duncan Lawrie	11 %
English Transcont.	11 %
First London Secs.	9½%
■ Antony Gibbs	9½%
Goode Durrant Trust	10 %
Greyhound Guaranty	9½%
Grindlays Bank	‡ 9½%
■ Guinness Mahon	9½%
■ Hambros Bank	9½%
Hawtin & Partners	13 %
■ Hill Samuel	§ 9½%
C. Hoare & Co.	† 9½%
Julian S. Hodge	10½%
Hongkong & Shanghai	9½%
Industrial Bank of Scot.	9½%
Keyser Ullmann	10 %
Knowsley & Co. Ltd.	11½%
Lloyds Bank	9½%
London & European	11 %
London Merc'tile Corpn.	10½%
Midland Bank	9½%
■ Samuel Montagu	9½%
■ Morgan Grenfell	9½%
National Westminster	9½%
Northern Comm. Trust	10 %
Norwich General Trust	10 %
Portman Guaranty	9½%
P. S. Refson & Co.	9½%
Rossminster Accept'cs.	9½%
Schlesinger Limited	10½%
E. S. Schwab	11 %
Security Trust Co. Ltd.	11 %
Shenley Trust	11½%
Standard Chartered	9½%
Trade Development Bk.	9½%
Twentieth Century Bk	11½%
United Bank of Kuwait	9½%
Whiteaway Laidlaw	10 %
Williams & Glyn's	9½%
Yorkshire Bank	9½%

■ Members of the Accepting Houses Committee.

* 7-day deposits 5½%, 1-month deposits 5¾%.

† 7-day deposits on sums of £10,000 and under 5½%, up to £25,000 6¼% and over £25,000 6½%.

§ Demand deposit 7%.

‡ Call deposits over £1,000 5½%.

FINANCIAL TIMES STOCK INDICES

—	March 26	March 25	March 24	March 23	March 22	March 19	A year ago
Government Secs.	62.17	62.32	62.17	61.89	61.53	61.50	60.80
Fixed Interest	61.79	61.74	61.69	61.57	61.25	61.25	60.99
Industrial Ordinary	410.4	406.3	406.1	399.1	391.5	394.5	280.5
Gold Mines	173.2	170.6	171.6	173.4	179.5	185.6	408.5
Ord. Div. Yield %	5.07	5.12	5.09	5.17	5.26	5.22	7.15
Earnings Y'ld % (full)	15.18	15.18	15.15	15.22	15.56	15.44	21.17
P/E Ratio (net) (a)	9.65	9.65	9.68	9.60	9.45	9.50	6.61
Dealings marked	5,920	7,078	6,003	5,636	5,765	5,778	7,941
Equity turnover £m.	—	55.23	62.21	56.55	42.22	69.21	46.45
Equity bargains total	—	16,897	17,065	16,150	15,495	16,219	21,659

10 a.m. 406.7. 11 a.m. 409.7. Noon 411.8. 1 p.m. 410.7.
2 p.m. 410.3. 3 p.m. 410.2.
Latest Index 01-246 8026.

(a) Based on 52 per cent corporation tax. (b) Nil=8.58.

Basis 100 Govt. Secs. 15/10/26. Fixed Int. 1928. Ind. Ord. 1/7/35. Gold Mines 12/9/55. SE Activity July-Dec. 1942.

HIGHS AND LOWS

—	1975/6 High	1975/6 Low	Since Compilation High	Since Compilation Low
Govt. Secs.	65.21 (30/1/76)	49.18 (3/1/75)	127.4 (9/1/35)	49.18 (3/1/75)
Fixed Int.	64.45 (2/2/76)	50.53 (6/1/75)	150.4 (28/11/47)	50.53 (3/1/75)
Ind. Ord.	417.4 (30/1/76)	146.0 (6/1/75)	543.6 (19/5/72)	49.4 (26/6/40)
Gold Mines	442.3 (22/5/75)	164.0 (3/3/76)	442.3 (22/5/75)	43.5 (26/10/71)

S.E. ACTIVITY

—	March 26	March 25
Daily—		
Gilt-Edged	185.9	176.1
Industrials	205.4	257.8
Speculative	57.2	57.0
Totals	134.7	161.1
5-day Av'r'ge		
Gilt-Edged	148.7	148.7
Industrials	212.2	209.1
Speculative	64.7	65.3
Totals	138.4	137.7

FT—ACTUARIES INDICES

—	March 26	March 25	March 24	March 23	March 22	March 19	A year ago
Industrial Group	161.07	160.07	159.38	157.26	155.25	156.18	112.12
500 Shares	177.13	175.84	175.28	172.65	170.46	171.91	119.55
Div. Yield pc	5.33	5.37	5.39	5.46	5.53	5.49	7.05
P/E Ratio (net)	10.14	10.08	10.05	9.91	9.78	9.85	6.67
All Shares	167.17	165.86	165.28	163.11	160.99	162.35	118.82
Consols Yield pc	13.94	13.93	13.95	14.02	14.11	14.10	14.13

INSURANCE, PROPERTY, BONDS

OFFSHORE AND OVERSEAS FUNDS

NOTES

FT SHARE INFORMATION SERVICE

**BRITISH FUNDS

Interest Due		Stock	Price £	Last xd	Yield Int.	Yield Red.
		"Shorts" (Lives up to Five Years)				
15F	15A	Treasury 6½pc 1976‡‡	99¼	9.1	6.54	8.26
1M	1S	Victory 4pc 1976‡‡	98⅝	26.2	4.04	—
14J	14D	Treasury 10½pc 1976‡‡	101¼	7.12	10.36	8.45
10M	10S	Treasury 6½pc 1977‡‡	97⅝	2.2	6.77	8.76
15M	15S	Electric 3pc 74-77	95¾xd	9.2	3.10	6.53
26M	26S	Treasury 11½pc 77‡‡	102½xd	18.2	11.18	9.40
15M	15N	Treasury 3pc 77‡‡	93⅝	9.10	3.20	7.20
20J	20D	Transport 4pc 72-77	93⅝	13.11	4.27	7.99
15M	15S	Treasury 9pc 1978‡‡	98½	9.2	9.11	9.67
14J	14J	Treasury 10½pc 78‡‡	101	8.12	10.39	9.98
26M	26S	Exchequer 5pc 76-78‡‡	92½xd	18.2	5.40	8.38
9M	9S	Treasury 11½pc 79‡‡	102½	2.2	11.18	10.35
17M	17S	Treasury 3pc 79‡‡	87½xd	9.2	3.43	7.12
25M	25S	Electric 4¼pc 74-79	88¾xd	13.2	4.79	7.99
1M	1N	Treasury 10½pc 79‡‡	98⅞xd	25.3	10.62	10.89
15M	15N	Electric 3½pc 76-79	86¼	9.10	4.05	7.75
3M	3S	Treasury 9pc 1980‡‡	94¾	25.1	9.50	10.67
14M	14N	Treasury 9½pc 80‡‡	94⅞	2.10	10.01	11.07
14M	14N	Treas. 9½pc 1980 'A'‡‡	94⅞	8.10	10.01	11.07
15J	15D	Treasury 3½pc 77-80	85⅝	10.12	4.10	7.61
15J	15D	Funding 5¼pc 78-80‡‡	87½	10.11	6.60	8.86
15J	15J	Treasury 11½pc 1981	101¾	9.12	11.30	10.99
15F	15A	Do. 3½% 1979-81	83⅜	9.1	4.20	7.64
1O	1A	Do. 9¾pc 1981‡‡	95½	—	10.21	10.94
		Five to Fifteen Years				
15J	15J	Treasury 8¾pc 80-82‡‡	91½	9.12	9.43	10.96
17M	17S	Treasury 12pc 1983‡‡	101½xd	9.2	11.83	11.79
15J	15J	Funding 5½pc 82-84‡‡	76⅝	9.12	7.14	9.77
10J	10J	Treasury 8½pc 84-86‡‡	83¾	4.12	10.19	11.25

CANADIANS

††BANKS AND HIRE PURCHASE

Hire Purchase, etc.

BEERS, WINES AND SPIRITS

BUILDING INDUSTRY, TIMBER & ROADS

BUILDING INDUSTRY—Continued

CHEMICALS, PLASTICS

CINEMAS, THEATRES AND TV

DRAPERY AND STORES

DRAPERY AND STORES—Continued

ELECTRICAL AND RADIO

ENGINEERING, MACHINE TOOLS

ENGINEERING—Continued

FOOD, GROCERIES, ETC.

HOTELS AND CATERERS

INDUSTRIALS (Miscel.)

**INTERNATIONAL BANK

**CORPORATION LOANS

COMMONWEALTH & AFRICAN LOANS

LOANS (Miscel.)

FOREIGN BONDS & RAILS

U.S. $ DM Prices exclude inv. $ premium

AMERICANS

S.E. List Premium 51½% (based on $1.8307 per £)

Conversion factor 0.6606 (0.6713)

INDUSTRIALS—Continued

††INSURANCE

MOTORS, AIRCRAFT TRADES

Motors and Cycles

Commercial Vehicles

Components

Garages and Distributors

NEWSPAPERS, PUBLISHERS

PAPER, PRINTING, ADVERTISING

PROPERTY

PROPERTY—Continued

SHIPBUILDERS, REPAIRERS

SHIPPING

SHOES AND LEATHER

SOUTH AFRICANS

TEXTILES

TOBACCOS

TRUSTS, FINANCE, LAND

Investment Trusts

TRUSTS—Continued

Finance, Land, etc.

OILS

OVERSEAS TRADERS

RUBBERS AND SISALS

TEAS

India and Bangladesh

Sri Lanka

Africa

MINES

CENTRAL RAND

EASTERN RAND

MINES—Continued

FAR WEST RAND

O.F.S.

FINANCE

DIAMOND AND PLATINUM

CENTRAL AFRICAN

AUSTRALIAN

TINS

COPPER

Dividends Paid	Stock	Price	Last xd	Div Net	Cvr	Y'ld Gr's
—	Botswana RST R2	64	—	—	—	—
June Dec.	Messina R0.50	195	1.12	Q35c	1.9	10.6

MISCELLANEOUS

Dividends Paid	Stock	Price	Last xd	Div Net	Cvr	Y'ld Gr's
—	Burma Mine 17½p	9	19.5	m0.5	—	1.5
—	Charterhall 5p	29	3.6.7	—	—	—
Aug. Feb.	Cons. Murch. 10c	700	12.12	Q80c	1.8	6.8
— —	Lauresia	29	—	—	—	—
July	Northgate C$1	400	27.3	tQ25c	1.0	3.3
Jan. June	R.T.Z.	269	17.11	g5.51	4.4	4.2
—	Sabina Inds. C$1	87	—	—	—	—
—	Tara Exptn. $1	£7½	—	—	—	—
— —	Yukon Cons. C$1	117	11.65	—	—	—

NOTES

Unless otherwise indicated, prices and net dividends are in pence and denominations are 25p. Estimated price/earnings ratios and covers are based on latest annual reports and accounts and, where possible, are updated on half-yearly figures; they are adjusted to ACT of 35 per cent. P/Es are calculated on the basis of net distribution; bracketed figures indicate 10 per cent. or more difference if calculated on "nil" distribution. Covers are based on "maximum" distribution. Yields, assuming maintenance of net dividends on current rate of ACT, are based on middle prices, are gross and allow for value of declared distributions and rights. *Securities with denominations other than sterling are quoted inclusive of the investment dollar premium.*

- △ Sterling denominated securities which include investment dollar premium.
- ● "Tap" Stock.
- * Highs and Lows marked thus have been adjusted to allow for rights issues for cash.
- † Interim since increased or resumed.
- ‡ Interim since reduced, passed or deferred.
- ‡‡ Tax-free to non-residents.
- ◆ Figures or report awaited.
- †† Banks and Insurance: reserve allocations may preclude calculation of dividend cover.
- # Price at time of suspension.
- ¶ Indicated dividend after pending scrip and/or rights issue; cover relates to previous dividend or forecast.
- ** Free of Stamp Duty.
- ◆ Merger bid or reorganisation in progress.
- ◆ Not comparable.
- ◆ Same interim: reduced final and/or reduced earnings indicated.
- ◆ Based on 1973 profits.
- ‡ Cover allows for conversion of shares not now ranking for dividends or ranking only for restricted dividend.
- ★ Cover does not allow for shares which may also rank for dividend at a future date. No P/E ratio usually provided.
- ♥ Excluding a final dividend declaration.
- ◆ Regional price.
- ▮ No par value.

a Tax free. b Figures based on prospectus or other official estimate. c Cents. d Dividend rate paid or payable on part of capital; cover based on dividend on full capital. e Redemption yield. f Flat yield. g Assumed dividend and yield. h Assumed dividend and yield after scrip issue. j Payment from capital sources. k Kenya. m Interim higher than previous total. q Earnings based on preliminary figures. r Australian currency. s Dividend and yield exclude a special payment. t Indicated dividend: cover relates to previous dividend, P/E ratio based on latest annual earnings. u Forecast dividend: cover based on previous year's earnings. v Tax free up to 30p in the £. w Yield allows for currency clause. y Dividend and yield based on merger terms. z Dividend and yield include a special payment: Cover does not apply to special payment.
A Net dividend and yield. B Preference dividend passed or deferred. C Canadian. E Issue price. G Assumed dividend and yield after pending scrip and/or rights issue. H Figures based on prospectus or other official estimates for 1976. N Dividend and yield based on prospectus or other official estimates for 1976. Q Gross. T Figures assumed. U No significant Corporation Tax payable. Z Dividend total to date.

Abbreviations: xd ex dividend; xc ex scrip issue; xr ex rights; xa ex all; xd ex capital distribution.

"Recent Issues" and "Rights" Page 23.

This service is available to every Company dealt in on Stock Exchanges throughout the United Kingdom for a fee of £325 per annum for each security

FINANCIAL TIMES

Monday March 29 1976

Scots given warning on devolution

BY CHRIS BAUR, SCOTTISH CORRESPONDENT

ONLY A DAY after the Scottish Labour movement celebrated the end of its nine-year search for unity on the controversial devolution issue, it was given a description of the price that English Labour MPs could demand for co-operating in setting up an elected Scottish Assembly.

The indication came from Mr. Eric Heffer, the Left-wing MP for Liverpool Walton, who attended Labour's Scottish conference in Troon as an observer for the party's national executive committee. He told a packed fringe meeting that the fears of English MPs about the consequences of a Scottish Assembly might be subdued only by holding referenda in England, Scotland and Wales.

He said that people in each country should be asked three questions: 1. Do you want devolution? 2. Do you want to be separate from other parts of the U.K.? 3. Are you in favour of the proposals for devolution in the Government's White Paper?

Describing himself jovially as a "Heffer with horns" on devolution, the former Industry Minister charged straight at the central issue by explaining that referenda would be the best means of removing from the debate the constitutional question about whether—as the Scottish Nationalists advocate — the Assembly would lead to Scottish separation and the destruction of the United Kingdom.

He was cheered when he said it was clear to him that despite the Scottish conference's vote for Assembly powers, the party was still "very unhappy" about the way it had become committed to the policy. Although the issue had never been debated or endorsed at a national party conference, he said, "we have to understand that it has gone so far now that there is no way out of it."

MR. ERIC HEFFER
. . . questions for referenda

Many cracks

Mr. Heffer's intervention exposed many of the cracks which the conference managers had worked hard to conceal.

Delegates agreed, without even a show of hands, for instance that the Assembly should be given greater powers over trade and industry than those suggested by the Government. But unanimity on that issue was achieved on the floor of the conference by a 90-minute argument in one of the committee rooms before the devolution debate began.

It disarmed those factions who had wanted to spell out the demand for the Assembly to be given control of the regional development, manpower and training policy powers exercised by the Secretary of State for Scotland. This was too specific for unions like the engineers and, after some hesitation, the transport workers.

The formula which was eventually patched together and agreed by the conference stated simply that the Assembly "should have powers over trade and industry including, the Scottish Development Agency." In the same way, the conference avoided spelling out with which tax mechanisms it wanted the Assembly to supplement its block grant from Westminster.

The Government, on the other hand, seems likely to accept most of the improvement suggested by the party in Scotland. In the draft Devolution Bill now being prepared, it seems probable that the Scottish Development Agency will be transferred fully to the Assembly: that there will be no mention of the controversial "veto" powers to be exercised by the Scottish Secretary and that the Assembly may be given a wider taxation portfolio than the proposed surcharge on local rates.

United stand

The tactical importance of the conference decision, therefore, is that it will enable all wings of the movement—the Scottish Council of the Party, the Scottish Trade Union Congress and the Scottish MPs—to campaign on a common platform against the separatist policies of the Scottish National Party and the near-Federalist policies of the break-away Scottish Labour Party.

It may not be widely appreciated that this is the first time an agreed platform has been assembled by Labour in Scotland since the SNP breakthrough in 1967 first forced devolution onto the political agenda.

Much will now depend on how vigorously the policy is sold to the electorate in Scotland. That will rest heavily on the outcome of Labour's leadership election and any possible changes affecting the Scottish Office team.

Mr. Michael Foot, ahead in the leadership election, realised this when he addressed the conference at the week-end and pledged that there could be "no going back on the far-reaching programme for devolution."

Scottish MPs attending the conference can have been left in little doubt that the prospect of Mr. Foot's election genuinely excited the great majority of delegates.

They rose to him with an emotional warmth which spoke volumes for the party's instinctive desire to rekindle its socialist enthusiasms after so many unrewarding years of defensive politics in Scotland.

Naval shipbuilders blame Ministry for delays

BY JOHN WYLES, SHIPPING CORRESPONDENT

A SHARP behind-the-scenes row has blown up between the Government and leading naval shipbuilding companies over responsibility for delays in the completion of warships for the Royal Navy.

Vosper Thornycroft, Vickers Shipbuilding and Yarrow Shipbuilders, who are campaigning against the Government's nationalisation compensation proposals, have reacted strongly against recent attempts by the Ministry of Defence to blame them publicly for slippages in the warship programme.

Ministers and officials accused the companies, among other things, of "antiquated management" when the Defence White Paper was published 12 days ago.

Feelings high

Feeling are now running so high that one company is asking the Shipbuilders and Repairers National Association to raise the matter with the Government.

The three companies believe that the Ministry is as responsible as they are for delays now running at more than two years for some vessels.

They are particularly angry that the Ministry made no attempt, in their view, to set the record straight in evidence to the House of Commons Expenditure committee whose report last month said it was "disturbed and disappointed" at slippages in the warship programme and pointed out the consequential increase in defence costs.

Completion schedules have had to be revised for each of the main warship classes planned to be the backbone of Royal Navy strength well into the 1980s: the Type 22 frigates being built at Yarrow's, the Type 21 frigates under construction at Vosper Thornycroft and the Type 42 destroyers, spread round three yards but whose prototype, together with that of an anti-submarine cruiser, is Vickers' responsibility.

The Commons Expenditure Committee was especially critical of delays on the Vickers cruiser which the Ministry attributed in evidence to labour shortages, partly due to a drift of skilled workers to the Continent and the North Sea oil industry. In the process, the Ministry implied, Vickers had got its manpower sums wrong.

This has left the yard at Barrow bristling with irritation since the company is understood to have left the Ministry in no doubt that the principal cause of delay on the cruiser was a running programme of modifications introduced by the Ministry for the prototype, HMS Sheffield, which Vickers began building in 1969.

These design changes are understood to have overturned all Vickers' manpower calculations and affected not only the cruiser, but other vessels on the Barrow yard building programme.

The implication is that the Ministry's initial design underestimated the Type 42 technological complexity and that a stream of changes between 1971 and 1975 so upset the company's manpower planning that the second Type 42 under construction, HMS Cardiff, has had to be sent round to Swan Hunter's yard on the Tyne for fitting out.

Manpower losses to the Continent and North Sea oil, amounting to 500 out of a labour force of 14,000, are thought to be far less significant.

Unfair

Against this background, the Ministry's recent attempts to lay the blame on poor management and intransigent trade unions is seen as unfair.

Vosper, hich has been running two years late on the Type 21S, has recently secured a High Court judgment supporting its claim that the Ministry's failure to supply equipment for the vessels according to schedule should be taken into account in the final contract.

Contracts are also a source of irritation between Vickers and the Ministry which wants to renegotiate the agreement for the cruiser so as to build in an incentive element aimed at speeding up delivery, originally due 1977-78 now unlikely before 1980.

Discussions are still under way with Vickers resisting a final commitment until it can judge inflationary trends better.

In the meantime, a formal announcement is expected shortly that the contract for a second anti-submarine cruiser will be placed with Swan Hunter.

THE LEX COLUMN

Contradictions in company tax

Stockbrokers are nervously discussing the chance that a short-term Capital Gains Tax will be reimposed in the forthcoming Budget—a reflection of the political attitude that the Stock Market is a place for raising long-term capital rather than for buying and selling securities, and that the second activity can be damped down without doing harm to the first. As it happens, the technical problems facing the Chancellor here are considerable. Yet the market certainly has grounds for pessimism; the present Government's record includes, after all, the doubling of stamp duty, and the imposition of new tax uncertainties — CTT and the threatened Wealth Tax — which have helped to choke off the flow of new company flotations.

The insensitivity of Whitehall to the needs of the capital market is a problem in itself — repeated calls for increased industrial investment contrast strangely with the two per cent. stamp duty levied on company issues, and the gains tax advantages of gilt-edged. But it pales into relative insignificance compared with the mess into which corporate taxation as a whole has been dragged. Many of the difficulties, unsurprisingly, reflect the impact of inflation and the ad hoc responses that have been made to it.

Shareholders

The contradictions centre around Corporation Tax itself. The imputation system, it may be distantly remembered, was originally introduced by the 1970-74 Conservative Government largely on the grounds that it would unify the interests of companies and their shareholders. Dividends and retentions would be taxed at the same rate. But this has all been turned upside down. The various tax reliefs on capital investment and stock appreciation, coupled with the collapse in underlying profitability, have produced a situation in which the average U.K. industrial company pays little or no mainstream Corporation Tax at all.

In many cases the only tax paid is the ACT associated with dividends. Total Corporation Tax receipts will be little more than £2bn. for the current financial year (against some £14bn. for Income Tax) and nearly half will be accounted for by ACT. This has gravely interfered with the elaborate systems of concessions and incentives. Companies can no longer count on free depreciation being of benefit to cash flow in practice. They can no longer assume that the cost of debt interest is cheapened by the availability of tax relief, making it impossible to work out the net cost of capital.

Moreover, the existing tax reliefs have produced a legacy of deferred taxation in balance sheets. The status of this growing deferred liability is highly uncertain. The Bank of England thinks it is a solid enough item to count as part of a bank's capital base but it is unlikely that commercial banks will be quite so generous to their own customers when calculating creditworthiness.

Another tax anomaly arises from the indirect effects of inflation on the sterling exchange rate: the present rules are very harsh on the many companies suffering from exchange losses on mis-matched borrowings, for tax relief may not be available. With industrial companies you can, perhaps, argue that they have gone into this with their eyes open. But there is a need for sympathetic treatment for banks where it has been made unduly hazardous to run currency books.

The only satisfactory way out of the Corporation Tax mess will be to seek an urgent improvement in profitability. But in the meantime Mr. Healey should make it clear there is no question of tax being called on stock appreciation. If absolute relief is conceded here, however, it will be difficult to argue that tax should be payable on the appreciation of longer term assets to the extent that this is simply due to general inflation. And logically, indexation of Capital Gains Tax should also then be extended to the personal sector—the point at which the Sandilands Committee felt it was getting outside its terms of reference.

Property debt

Bank lending to the property sector is taking a long time to fall—the latest figures up to mid-February out to-day show a slight increase since last November in advances, which remain at roughly the level of the last two years. Even allowing for the rolling-up of interest payments by some companies this appears paradoxical in view of the heavy selling of property by many groups: Land Securities, MEPC and Town and City have alone sold over £270m. worth since the end of 1973. The explanation is that disposal proceeds have been more than swallowed up by continued spending on developments initiated before the end of the boom: the result was an increase in debt during 1975 for companies such as Town and City and MEPC. Moreover, property companies have only been able to recapitalise themselves by rights issues to a much more limited extent than other sectors, with less than £100m. of equity and convertible stock raised in the market over the last year.

But advances could start to fall shortly since the capital spending of most property companies has dropped to a very low figure while sales are continuing at a high level, to judge by recent activity. Institutional purchases are currently around £800m. a year but only a part, even if a large one, is buying from property companies: the rate of decline in bank advances will also be affected by the sizeable amount of lending on poorer quality, and hence less marketable, assets. The pressure to reduce lending will be maintained until property values recover and the erosion of the equity bases is reversed.

So the decline in finance charges may be slow, with a patchy letting market also holding back the rate of recovery on profit and loss account. While the news from most groups should start improving from now on, as shown by British Land on Friday, the share market—30 per cent. below its 1975-76 high of last spring—is still overshadowed by fears about the continued vulnerability of one or two highly geared companies.

General Motors will sell Polish trucks

By Terry Dodsworth

GENERAL MOTORS, the parent company of Vauxhall and Bedford in the U.K., is to distribute Polish-made trucks in Western Europe under a multi-million pound manufacturing and marketing deal soon to be signed in Poland.

The agreement has important implications for Bedford because its sales in the EEC might be affected.

In the recent reallocation of resources in General Motors' European organisation Bedford has been given significant backing to build up its sales in Western Europe. In the sensitive labour situation in Britain this investment has been used as an argument by the company for import of the Belgian-made Cavalier car for sale by Vauxhall.

But if GM were to sell the Polish-made vehicle in Western Europe this would have some impact on Bedford sales in the same markets.

Details

So far the details of the agreement remain obscure. But it is known that a Bedford trucks engineering team has been working with General Motors staff on plans for the Polish plant.

Mr. Alex Cunningham, until recently head of GM in Europe and shortly to take up a senior post with General Motors in the U.S., said that the vehicle to be made at the new factory would be of General Motors design.

General Motors was not looking for a "turnkey" contract such as Fiat had signed to build the Lada and Polski factories in Russia and Poland, but a joint venture, "which will remain profitable in the long term, with partners in the East."

Fiat, which pioneered the expansion of Western motor manufacturers into Comecon, sold its technology to the East Europeans with no substantial financial involvement over the long term. The General Motors agreement to retain marketing rights in Western markets is a new advance.

Balkan talks

General Motors has also begun talks on joint agreements with Romania and Bulgaria, and has started a significant business in buying parts from Yugoslavia.

It is thought the engineering of the new Polish vehicle, believed to fall into the heavy van to light truck category, will owe a great deal to Bedford.

The British concern has responsibility for all European design in General Motors and has been traditionally strong in producing this kind of vehicle.

Health Department launches technology export drive

BY DAVID FISHLOCK, SCIENCE EDITOR

THE DEPARTMENT of Health is launching a major effort to promote the exports of medical technology, aimed above all at the oil-producing nations.

Mrs. Barbara Castle, Secretary for Health, in an interview with the Financial Times, said that in recognition of its considerable export potential the sponsorship of the medical supplies industry was being "pulled to the forefront of the department's thinking."

Mrs. Castle has called a series of meetings with medical and industrial interests, including the consultants, to "take the whole profession into our confidence."

The latest figures from the Department indicate that the initiative is being launched from a strong industrial base. Exports of drugs, dressings and medical equipment last year totalled £500m.

Drugs and dressings, which accounted for £373m., showed an increase of 23.75 per cent. over the previous year. Medical equipment, at £126.5m., showed an increase of 55.2 per cent.

The department believes that "invisible" exports, in the form of consultancy for medical, nursing and hospital design services, for example, amount to £60m. or £70m. more.

But only about 300 of some 2,000 medical products companies are engaged in exporting.

The Department's export activity has recently been raised in status, with an Under-Secretary in charge, and staff has been increased by 50 per cent. It includes roving "health attachés" who will follow up Ministerial visits and prepare detailed reports on health plans and export prospects of countries abroad.

Mrs. Castle said that her visit in January to Iran, Kuwait and Saudi Arabia had given her a much clearer idea of how the Department could help industry sell to the oil-producing nations.

They were looking for warranties, she said, that would help them overcome their relative inexperience as buyers of sophisticated equipment and supplies.

Mrs. Castle found an enormous respect for the National Health Service. She learned that when she could testify that a certain drug, piece of equipment or service was being used by the NHS, "it makes an immediate difference in their attitudes."

Saudi Arabia, said Mrs. Castle, had already requested a list of building contractors and pharmaceutical companies supplying the NHS. The country had plans for 97 new hospitals totalling 11,500 beds, the first of which were close to the tendering stage.

Iran had plans for accommodation of a total of 24,000 new hospital beds.

Other Ministerial visits planned this summer by Mrs. Castle and Dr. David Owen, her deputy, include the U.S., Japan and West Germany, all seen as large potential markets for U.K. medical supplies.

Continued from Page 1

Unemployment

version of a policy of "going for growth."

At the same time they calculate that "inflationary finance" is providing a 10 per cent. supplement to the national income which cannot go on for long.

● Left-wing MPs campaigning for comprehensive import controls felt their stand reinforced last night by this endorsement of the Cambridge review.

Mr. Doug Hoyle, MP for Nelson and Colne, said: "While it is a gloomy and pessimistic forecast, it is entirely in line with what we said in the Tribune economic document would happen unless import controls were brought in.

"We have not been saying it because we want to be critical of the Government's economic policy, but because we think it is an absolute necessity to bring this country back on the road to recovery."

Mrs. Renee Short, Labour MP for Wolverhampton, North-East, said that the review would find echoes in the party, not merely on the Left. "I want to see import controls particularly on luxury foods from France and elsewhere, on textiles, clothing and shoes from the Common Market, and on cars, for a limited period of time, not permanetnly but until we can together our forces again."

Loans to industry still at low level

BY MICHAEL BLANDEN

THE CONTINUED depressed level of lending to manufacturing industry and the subdued state of bank lending generally are underlined by the latest analysis published by the Bank of England to-day.

Over the three-month period to mid-February, the figures show, advances by the U.K. banking sector to U.K. residents rose by £145m. to just over £30bn.

This increase, however, was more than accounted for by a rise of £181m. in advances in foreign currency, nearly half of which was due to the increase in the sterling value of existing loans as a result of the drop in the value of the pound rather than to new credit.

Advances in sterling fell by £33m. and though detailed seasonal adjustments are not yet available, the Bank estimates that seasonal factors might normally have been expected to produce a rise of over £400m. in sterling lending.

There appears, therefore, to have been an underlying drop of some £450m. in sterling loans in the period covered, with the public sector accounting for £160m.

The drop largely reverses the experience of the previous three months from August to November, and leaves total lending in sterling to U.K. residents down to £22.1bn.

In spite of recent signs of recovery in economic activity, the manufacturing sector cut its borrowing by £55m. to just under £7bn.

Sterling loans to this sector fell by £150m., though foreign currency lending showed an increase of £96m.—equivalent to £81m. after allowing for the impact of changing exchange rates.

Two major sectors of industry—chemicals and textiles, leather and clothing—showed increases of about £50m. each.

But two other sectors reversed the rises which they had shown against the general pattern in the previous quarter—food, drink and tobacco saw a drop of £113m. in its borrowing while metal manufacture cut its loans by £47m.

Advances to the "other production" sector rose by £119m., of which £36m. was in foreign currency. Mining and quarrying industries—which include oil and natural gas extraction—increased their borrowing by £67m. and the construction industry rose by £45m.

Borrowing

The service industries cut their borrowing by £76m., with the sterling total down by £72m. The groups covering transport and communications, public utilities and national and local government—largely public sector—saw a drop of some £160m.

In the financial group, total advances rose by £73m., mainly in foreign currencies (up by £57m. before adjustment for exchange rates and by £36m. after adjustment).

Personal borrowing rose by £86m., though this was largely a seasonal rise, reflecting the debiting of interest at the end of December.

Asbestos risks probe likely

BY KENNETH GOODING, INDUSTRIAL CORRESPONDENT

THE ASBESTOS industries seem almost certain to face another searching inquiry — this time dealing particularly with possible risks to the general public.

Recommendations resulting from a study by the Health and Safety Executive go before the Health and Safety Commission to-morrow.

The Executive, formerly the Factory and Alkali Inspectorates, will say nothing about the recommendations until the commission has seen them.

It is thought that the Government will quickly set up a new inquiry into the asbestos industries, especially as — by coincidence — an Ombudsman report on the operations of the Factory Inspectorate in connection with the Cape Asbestos plant at Hebden Bridge is due to be made public today.

Evidence

The Asbestos Regulation, 1969 were due for review five to six years after coming into force in 1970 and with this in mind the Health and Safety Executive has been preparing evidence.

Under the terms of the new Health and Safety at Work Act, the executive had to consider the health of those who work in the industry and anyone who might be affected in any way.

The 1969 regulations have been imposed so strictly that use of the dangerous blue asbestos has been made uneconomic.

Last year, 51 companies were prosecuted for 120 contraventions of the asbestos regulations

Weather

U.K. TO-DAY

CLOUDY, some rain, becoming brighter.

London, S.E., Cent. S. England, E. Anglia, Midlands, Channel Islands

Mainly dry. Bright intervals. Near normal. Max. 12C (54F).

S.W. England, S. Wales

Cloudy. Rain, bright intervals. Max. 11C (52F).

E., N.W., Cent. N. England, N. Wales

Cloudy. Rain, becoming brighter with showers. Cold. Max. 90C (48F).

N.E. England, Borders, Edinburgh, Dundee, Aberdeen

Scattered showers. Sunny spells. Cold. Max. 7C (45F).

Lake District, Isle of Man, Rest of Scotland, N. Ireland

Showers. Bright spells. Cold. Max. 6C (43F).

Outlook: Dry in S., rain in N.

Lighting-up: London 19.53, Manchester 20.03, Glasgow 20.12, Belfast 20.18.

BUSINESS CENTRES

		Y'day Mid-day °C	°F			Y'day Mid-day °C	°F
Alexandria	F	20	68	Manchestr	C	11	52
Amsterdm	C	10	50	Melbourne	S	25	77
Athens	S	19	66	Mexico C.	S	20	68
Barcelona	S	19	66	Milan	S	15	59
Beirut	S	19	66	Montreal	S	0	32
Belfast	R	9	48	Moscow	C	3	37
Belgrade	S	11	52	Munich	F	10	50
Berlin	C	13	55	Newcastle	C	11	52
Brmnghm	F	11	52	New York	S	12	54
Bristol	C	9	48	Oslo	S	12	54
Brussels	C	9	48	Paris	S	11	52
Budapest	F	11	52	Perth	S	25	77
B. Aires	S	19	66	Prague	C	6	43
Cairo	S	26	79	Reykjavik	Sn	−2	28
Cardiff	C	9	48	Rio de J'o	R	26	79
Cologne	F	12	54	Rome	S	20	68
Copenhagn	C	7	45	Singapore	C	30	86
Dublin	C	10	50	Stockholm	C	9	48
Edinburgh	C	10	50	Strasbourg	S	12	54
Frankfurt	S	11	52	Sydney	R	22	72
Geneva	S	12	54	Tehran	S	9	48
Glasgow	C	7	45	Tel Aviv	S	19	66
Helsinki	C	2	36	Tokyo	C	12	54
Hng Kong	C	18	64	Toronto	S	1	34
Jo'burg	C	22	72	Vienna	C	10	50
London	S	14	57	Warsaw	C	6	43
Lxembrg	C	9	48	Zurich	S	12	54
Madrid	S	19	66				

HOLIDAY RESORTS

		Y'day Mid-day °C	°F			Y'day Mid-day °C	°F
Ajaccio	S	16	61	Jersey	S	11	52
Algiers	C	14	57	Las Palmas	F	19	66
Biarritz	S	16	61	Locarno	S	16	61
Blackpool	C	9	48	Luxor	S	33	91
Bordeaux	S	16	61	Majorca	S	18	64
Boulogne	S	9	48	Malaga	F	16	61
Casablnca	S	23	73	Malta	C	15	59
Cape Town	C	23	73	Nairobi	C	20	68
Corfu	C	19	66	Naples	S	17	63
Dubrovnik	S	16	61	Nice	S	18	64
Faro	S	18	64	Nicosia	F	21	70
Florence	S	18	64	Oporto	S	22	72
Funchal	C	19	66	Rhodes	C	19	66
Gibraltar	S	17	63	Salzburg	C	11	52
Guernsey	S	10	50	Tangier	S	18	64
Innsbruck	F	11	52	Tenerife	C	16	61
Inverness	F	11	52	Tunis	C	16	61
I. of Man	C	8	46	Valencia	S	19	66
Istanbul	S	11	52	Venice	S	16	61

F—Fair. S—Sunny. C—Cloudy. Sn—Snow. R—Rain

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هكذا من الأصل